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FINANCIAL TIMES

Europe's Business Newspaper TUESDAY MARCH 16 1993 D8523A

Tension mounts as North Korea warns of threat of war

North Korea, which faces international condemnation over its withdrawal from the nuclear Non-Proliferation treaty, yesterday heightened the tension by saying that war with South Korea could break out "at any time". Ri Tcheul, North Korean ambassador to the UN in Geneva, said bullets and shells were being fired "towards our side" in US-South Korean military exercises. "If we respond to it, it will mean an all-out war". Page 20

Hoechst blast: One person died and another suffered serious burns in an explosion and fire at Hoechst's chemicals plant near Frankfurt. It was the sixth accident Hoechst has suffered in less than a month. Page 20; A troublesome brew, Page 29

VW shares fall after GM chief shuns job

Shares in German carmaker Volkswagen fell DM7.30 to DM285.50 ($172) on the Frankfurt stock exchange amid uncertainty over the company's attempt to poach key executive J. Ignacio Lopez de Arriortua (left) from General Motors of the US. Page 21

UK tax rises likely: A sharp rise in UK manufacturing production provides a favourable background for today's Budget, which is expected to include higher taxes to curb the growing fiscal deficit. Page 10

Yeltsin plans plebiscite: Russian president Boris Yeltsin said his parliamentary opponents were seeking to restore communist rule and his aides signalled that he planned to secure popular support in a plebiscite. Page 30

UN's chief promised aid: The commander of UN forces in Bosnia, General Philippe Morillon, was promised aid for the besieged Moslem town of Srebrenica after talks with Serb leaders. Page 2

Poland's tough abortion policy: After pressure from the Roman Catholic church, a strict anti-abortion law will today replace Poland's liberal legislation.

Bombay bombs defused: Two 20kg bombs were defused in Bombay as India's commercial capital went back to work three days after a series of blasts killed 250 people.

Banks warned: Five of Indonesia's six largest banks reported higher pre-tax profits for 1992, although bankers warn the sector remains poorly regulated and burdened by non-performing debt. Page 25

EC may hit back: The European Commission is considering retaliation in response to the likely US decision next Monday to bar European companies from winning certain federal contracts in telecommunications and power generation. Page 3

Fears for China economy: Chinese prime minister Li Peng called for quicker reform of the country's economy, which grew by almost 13 per cent last year and prompted fears of overheating. Page 8

Early Australian republic ruled out: Australia's re-elected Labor prime minister, Paul Keating, ruled out abolition of the monarchy until after the next federal election, due in 1996. Page 8

Salvadoran amnesty: El Salvador's president Alfredo Cristiani has proposed an amnesty for military officers blamed by the United Nations for atrocities during the country's 10-year civil war. Page 6

HSBC Holdings, parent of Hongkong & Shanghai Banking Corporation, which acquired Midland Bank of the UK in July, reported a 94 per cent rise in 1992 pre-tax profits to £1.7bn ($2.44bn). Page 21; Details, Page 28; Lex, Page 20

Insurer demands talks: Union des Assurances de Paris, France's largest insurance group, called on French holding company Suez to reopen negotiations about the future of French insurer Victoire and its German subsidiary, Colonia. Page 20

Rhône-Poulenc Rorer, pharmaceuticals unit of France's largest chemicals group, plans to buy up to 5m of its own shares to support their flagging price. Page 20

STOCK MARKET INDICES

FT-SE 100:	2922.4	(+6.5)
Yield	4.14	
FT-SE Eurotrack 100	1153.62	(+7.76)
FT-A All-Share	1424.95	(+0.3%)
Nikkei	18,896.18	(+48.66)
New York: lunchtime		
Dow Jones Ind Ave	3431.69	(+3.78)
S&P Composite	458.86	(+0.23)

US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.943%
Long Bond	102 11/32
Yield	6.968%

LONDON MONEY

3-mo Interbank	6%	(5 13/16%)
Liffe long gilt future:	Jun 106⅞	(Jun106 25/32)

NORTH SEA OIL (Argus)

Brent 15-day Apr	$18.75	(18.71)

Gold

New York Comex Apr	$329.8	(328.5)
London	$328.65	(327.75)

STERLING

New York lunchtime:		
$	1.4357	
London:		
$	1.4345	(1.434)
DM	2.3825	(2.3875)
FFr	8.1025	(8.12)
SFr	2.1825	(same)
Y	170.96	(168.75)
£ Index	77.2	(77.3)

DOLLAR

New York lunchtime:		
DM	1.66145	
FFr	5.6495	
SFr	1.5265	
Y	118.35	
London:		
DM	1.6615	(1.6655)
FFr	5.6475	(5.6625)
SFr	1.522	(1.5225)
Y	118.5	(117.75)
$ Index	66.8	(66.7)

Tokyo close Y 118.18

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira25	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Amato says Italy faces north-south break-up

By David Marsh, European Editor, in London

MR GIULIANO AMATO, the Italian prime minister, yesterday said his country faced the risk of a break-up between north and south unless it made urgent changes to its electoral laws.

Mr Amato coupled his warning of possible secession with a strong call for establishment of a new political class to steer the country out of its crisis over corruption.

Speaking at the London School of Economics, Mr Amato said revelations of widespread illicit financing in business and politics gave Italy no choice but to "renew its ruling class".

If elections were held now under the proportional electoral system, dissatisfaction with established parties would lead to "the inevitable success of extremist parties".

The rightwing Lombard League, which favours detaching the prosperous north from the poor south, would probably be the strongest party in parliament, Mr Amato said.

"If we can change the system towards the smallest amount of proportional representation that Italians are capable of introducing, then the danger [of fragmentation] would be smaller," Mr Amato said.

Italians vote in a national referendum on April 18 on a series of constitutional issues, including reforming the electoral system. The outcome is expected to increase pressure for an early general election.

Mr Amato, who has already announced his prospective retirement from politics, spelt out his vision of a "peaceful revolution" throughout Italy's ruling elite.

His eight-month old coalition has been at the centre of the political storm. Several ministers have been among more than 1,000 politicians, businessmen and officials implicated in the scandals.

Mr Renato Altissimo, leader of the small Liberal party, yesterday became the third head of an Italian political party to be investigated.

Milan magistrates said Mr Altissimo had been served notice that he was under investigation for alleged corruption.

He was one of at least seven new parliamentarians served with such notices yesterday.

The Liberals, with the Social Democrats, are the two junior partners in the four party coalition government. Until now the party has been little affected by the wave of corruption scandals.

As the scale of corruption unearthed during the last few weeks has increased, expectations of the future make-up of the Italian political system had "changed totally", Mr Amato said.

The aim in coming months was to "get new people out of the professions – ordinary citizens – into parliament, because the old people will not be acceptable any more," he said.

Speaking of the Christian Democrat and Socialist parties at the centre of scandals, Mr Amato said, "I don't expect these parties to be players in the new game. I don't expect these men [the parties' present leaders] to be leading figures in the new system."

Answering questions after his lecture on "Italy and Europe: The Rules of Chaos", Mr Amato avoided replying directly to a question about whether he could have intervened earlier.

Although Italians had been aware for years that political parties' financial resources exceeded legal limits, "very few people" were aware of the sheer size of the illegal funding, he said.

Italy's corruption scandal, Pages 4-5

Romanians besiege the Argentinian embassy in Bucharest after Argentina announced it was issuing visas. Nearly a quarter of a million Romanians have emigrated to various countries since exit controls were lifted following the overthrow of hardline communist rule in 1989

BA wins approval for USAir link-up

By George Graham in Washington, Nikki Tait in New York and Danny Green in London

THE US gave temporary approval yesterday to British Airways' plans for a partnership with USAir but demanded that London and Washington renegotiate their aviation treaty to allow US airlines greater access to British airports.

Mr Federico Peña, US transportation secretary, agreed to BA's request for "code-sharing" with USAir, which the two carriers hope will create a "seamless service" by listing USAir's US flights and BA's transatlantic flights under the same codes in computer bookings systems.

He also approved plans for USAir to lease aircraft and crews to BA for London-Baltimore and London-Pittsburgh flights, but not for London-Charlotte.

Mr Peña said BA's initial $300m investment in USAir did not breach US laws restricting foreign ownership of US airlines to 25 per cent, but that the second and third phases of the proposed deal, under which BA would invest a further $450m, could not be completed unless the US Congress changed the law on foreign ownership.

This, he hoped, would provide the incentive for the UK to renegotiate the Bermuda 2 treaty. "If Congress doesn't act, British Airways will have invested $300m and cannot proceed further. That is the hook," Mr Peña said. He said he would review the deal in a year.

The "big three" US carriers – American, United and Delta – which lobbied against the code-sharing arrangement, reacted to the announcement with "disappointment and puzzlement".

"There's not a bit of it which makes any policy sense," said one adviser.

British Airways welcomed Mr Peña's statement, saying it would begin the code-sharing arrangement to three US cities – Cleveland, Syracuse and Rochester – on May 1, as previously announced.

Sir Colin Marshall, BA's chairman, said he was delighted that passengers would be able to fly more easily between airports on the two airlines' networks.

Mr Peña said that, although he did not like the terms of the Bermuda 2 treaty between the UK and the US, the US could not

Continued on Page 20
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Hang Seng falls 5% as Li Peng launches attack

By Simon Holberton in Hong Kong, Tony Walker in Beijing and Philip Stephens in London

SHARE PRICES in Hong Kong slid by more than 5 per cent yesterday after Mr Li Peng, the Chinese premier, accused Mr Chris Patten, Hong Kong's governor, and the British government of "perfidiously" dishonouring agreements on the colony's transition to Chinese rule in 1997.

Mr Li, addressing the opening session of China's parliament, departed from his prepared text and made one of the sternest attacks yet by a Chinese leader since relations deteriorated last year after Mr Patten disclosed plans to extend Hong Kong's democratic reforms.

The speech followed the publication on Friday of Mr Patten's legislation to enact these reforms. Beijing's reaction hampers any early resumption of talks on the colony's future, and adds to pressures on Mr Patten from an increasingly nervous local business community.

The Hang Seng index fell 315.79, or 5.1 per cent, to close at 5,854.61, leaving it a full 10 per cent below its peak, reached a week ago.

Senior business leaders called for calm. Sir William Purves, chairman of HSBC Holdings, the owner of Hongkong Bank and of Midland Bank of the UK, said he remained optimistic about Hong Kong's future in spite of the political problems between the colony and China.

He warned, however, that domestic business confidence could be affected and that foreign investors might be "frightened off" if the row dragged on. "I very much hope that [Britain and China] can sit down and devise a way forward for the 1995 elections," he said.

Britain stressed that it remained willing to hold "unconditional" talks with Beijing on its plans for political reform in Hong Kong.

But in an otherwise conciliatory statement in the House of Commons, Mr Douglas Hurd, foreign secretary, insisted that the London government would not accept the downgrading of Hong Kong's role in any negotiations. Speaking with the overwhelming support of MPs from all the main parties, Mr Hurd stressed there was still time for talks with Beijing to modify Mr Patten's plans.

But the foreign secretary flatly rejected a charge by Mr Li that Mr Patten's proposals were in contravention of the Basic Law governing Hong Kong's future. Referring to Beijing's demand that the status of Hong Kong officials in any talks be downgraded, he said: "The implication of that

Continued on Page 20
Call for rapid reform revives fears of overheating, Page 8

Olivetti, deeper in loss, seeks $561m

By Haig Simonian in Milan

OLIVETTI, the Italian computers and office equipment group, yesterday announced a L903bn ($561m) rights issue and said it would report a sharply increased net loss of about L650bn for 1992.

The cash, to be raised through new shares and convertible bonds, will be used for expansion, notably in the increasingly linked areas of information technology and telecommunications.

"In the short term, the money will be used to bring debt down to zero", said Mr Carlo De Benedetti, Olivetti's chairman, whose listed CIR holding company controls the group.

"But we want to use the funds to accelerate Olivetti's development into new areas", he added yesterday. Last week, Olivetti took a stake in EO, a Silicon Valley start-up company marketing "personal communicators" – pocket telephones with inbuilt fax and computing capabilities.

Olivetti's 1992 loss, to be announced officially in May, will be nearly 50 per cent larger than the L460bn lost in 1991. Sales fell by 6.8 per cent to L8,020bn and operating losses surged to L230bn from L28bn.

At the year-end, Olivetti's net debt stood at L960bn. The dividend will be omitted again, Mr De Benedetti said.

Mr De Benedetti said Olivetti faced further heavy restructuring costs of between L200bn and L250bn this year, when the group is planning to shed a further 3,500 workers. The amount set aside for extraordinary costs and restructuring charges fell to L260bn in 1992 from L338bn in 1991, but the actual figure spent last year was L170bn higher, as it included money provided for in 1991, Mr De Benedetti said.

He said the rights issue, priced at the shares' nominal value of L1,000, indicated Olivetti's determination to survive. CIR would subscribe its full quota, costing about L300bn.

Shareholders will be offered six ordinary shares for every four shares, of whatever category, now held. Shareholders may subscribe to at least half their entitlement in the form of new equity, and the remainder as six-year convertible bonds.

The bonds, to be issued at the nominal price of L1,000 each, will pay interest of between 6 per cent and 8 per cent, and be interchangeable with the new shares. The precise interest rate will be set at the time of the issue.

Mr George Verghese, European electronics analyst at Deutsche Bank in London said: "It's been timed very cleverly. The question is whether you want to invest in the computer industry. There are signs of recovery, but the question is when."

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Kohl speaks out in support of Yeltsin

By Quentin Peel in Bonn, David Buchan in Paris and Charles Leadbeater in Tokyo

CHANCELLOR Helmut Kohl of Germany yesterday issued a ringing endorsement of Russian President Boris Yeltsin, warning that not only his domestic reform policy but the entire process of peaceful international co-operation was *threatened by the political* backlash in Moscow.

In a statement on political developments in Russia, Mr Kohl declared that the reforms pursued by Mr Yeltsin and his government were in the interests not only of Russia and its people, but also of all other countries, above all Germany. "I therefore emphatically endorse this process," he said.

President François Mitterrand of France will be carrying a similar message of support for Mr Yeltsin when he arrives in Moscow today. The visit will be "a chance for the French president to reaffirm how strongly France wants Russia to recover its balance", an Elysée spokesman said.

In his statement, Mr Kohl said: "President Yeltsin and the political groups which support him, striving for democracy and the rule of law, a market economy and not least, a policy of peaceful co-operation with the world community, are increasingly threatened by forces which want to stop the reform process in Russia."

Although Germany had reached the limits of its financial capacity to support Russia, the debate within the G7 over further ways of providing economic assistance "underlines the importance the western countries attach to the continuation of the reform process," he said.

The German government also attached vital importance to its bilateral relations with Russia, he added, in a statement which could be clearly seen as a direct warning to *Mr Yeltsin's opponents in* the Russian Congress of Deputies.

"Russia and Germany today enjoy relations which are free of tension, trusting and friendly. This is due in good measure to the achievements of Boris Yeltsin. We want these relations to be developed in mutual interest and trust, so that a free, democratic Russia, based on a market economy, remains a peaceful, calculable and stable partner both for Germany and for all our neighbouring states."

Meanwhile, Japan seems set for a clash with the US, France and Germany over its opposition to an emergency summit to sanction further aid to Russia. The Japanese government is opposed to a summit meeting to consider the issue even though a meeting of G7 officials in Hong Kong over the *weekend agreed to consider* plans for further aid.

Japan insists it cannot consider further aid until Russia accepts Japan's claim to sovereignty over the four islands off the northern tip of Japan known as the northern territories.

Mr Yuli Vorontsov, the Russian ambassador to the United Nations and a senior adviser to President Boris Yeltsin, yesterday urged the G7 nations to provide "a programme of sustained assistance" in order to shore-up Mr Yeltsin's economic reforms, Alan Friedman writes from New York.

Mr Vorontsov, who made his remarks during a news conference at the New York Federal Reserve Bank, said: "The Russian people need to see that the west is still interested in a transition to a market economy."

Mr Gerald Corrigan, president of the New York Fed, announced yesterday that the Russian-American Bankers' Forum, a joint programme with nearly $8m of 1993 funding, would host an eight-week programme this summer in the US that would train 250 middle and senior-level officials of Russian commercial banks in all aspects of banking and finance.

Russian compromise fades away

By John Lloyd in Moscow and Andrew Gowers in London

IT IS now clear that Mr Boris Yeltsin means to fight for supremacy. The president, say his advisers, has concluded that no further compromises are possible with his hardline opponents in the Congress of People's Deputies, and that he will strive, within constitutional limits, to beat them.

As Mr Yegor Gaidar, the former premier and now a key presidential aide, said yesterday: "The result of the Congress was to show that the policy of compromise has more or less reached its limit."

Mr Anatoly Chubais, the privatisation minister who was singled out for personal attack *in the Congress session that* ended on Saturday, agreed. Speaking in London yesterday during an official visit, he said the Congress had "destroyed the balance of power" in Russia, and that the president's response would be "strong and active, within the framework of existing laws".

The tactic now being considered by the president is to proceed to a plebiscite which, his advisers believe, he can do within the law on referendums. They say this law allows a poll of the population through the *initiative of the citizens* themselves, through the collection of 1m signatures. This plebiscite, likely to ask whether the people wish to see the president or the parliament in control of policy and perhaps also if they wish to see private ownership of land, may be supervised by international observers to ensure fair play.

Business as usual: a Russian man speaking to an adviser at the Moscow privatisation centre yesterday when, despite the continuing political crisis, 1m shares in the Zil car factory were put on sale to the public at more than 100 locations. The sign in the background reads "Privatisation"

At the same time, according to Mr Gaidar, the president may wish to secure support from the centre by appointing to the cabinet figures from the centre of politics – in particular from the Civic Union bloc, which includes the Russian Union of Industrialists, Vice-President Alexander Rutskoi's Free Russia party and other forces.

That support from this quarter is still possible for Mr Yeltsin was underscored by Mr Oleg Rumyantsev, the young deputy who is secretary of the constitutional commission of parliament and leader of the Social Democratic Centre party. Noting that "one main feature of the last Congress was that the centre did not make their views known", he said that "the solution to the deepening political crisis can only be found with the involvement of the centre forces".

In contrast to the veiled threats by Mr Yeltsin to take special measures to enforce his rule, most aides are anxious to avoid an authoritarian solution. Mr Chubais said: "A lot of deputies thought last week that they would be arrested in the Kremlin. That is not the president's decision; he will take the legal course."

The parliamentary leadership, for its part, is certain that a referendum cannot be undertaken constitutionally. Mr Nikolai Ryabov, the first deputy chairman of parliament who in a speech on the second day of Congress last week unequivocally demoted Mr Yeltsin to second place after the parliament, said flatly at the weekend that "any move to a referendum which involves spending *state funds must* be regulated by law and needs to get parliamentary consent".

However, the constitutionality of the parliament's behaviour will now be challenged in the Constitutional Court. A group of 57 deputies from the pro-presidential Democratic Russia bloc yesterday published a statement disputing *whether the decisions taken* last week, and at the Seventh Congress in December, were constitutional.

The terrain of the struggle is the constitution but the prize is raw power, and the right to conduct reform. Mr Chubais said a positive result in the proposed referendum would be the start of a process leading to new elections and the adoption of a new constitution. On the other hand, he warned, if Mr Yeltsin's parliamentary opponents retain the upper hand, "at the next Congress [scheduled for June], we will lose the presidency or the president himself".

Brussels to seek fresh impetus for growth package

By Lionel Barber in Brussels

THE European Commission is considering fresh measures to stimulate growth because the response from EC member states remains inadequate, Mr Henning Christophersen, economics commissioner, said yesterday.

Mr Christophersen said after a meeting of EC finance ministers in Brussels that the Commission may put forward new ideas on promoting investment and job creation at the EC summit in Copenhagen in June. "More needs to be done," he said.

The Danish presidency of the EC has called for a "jumbo" meeting of finance ministers from the Twelve and the six members of the European Free Trade Area on April 19 in Luxembourg. The aim is to hitch a pan-European effort to the US recovery in an effort to stem rising unemployment which is undermining public confidence in the EC.

But only five states – Spain, Germany, Ireland, Portugal, and Denmark – have put plans to the Commission to bolster the *growth package*. EC officials said yesterday that they looked forward to the UK contribution in today's budget.

At the meeting in Brussels, finance ministers hailed the long-awaited solidarity pact between the central government and Länder to finance German unification. "It will pave the way for lower interest rates not just in Germany but also in the rest of the EC," said Mr Christophersen. Lower German interest rates are vital if the EC is to attain the 3 per cent growth needed to halt unemployment, expected to rise to 17m in the EC this year.

The EC growth initiative combines a modest Community effort to promote lending to small and medium-sized companies through a new European investment fund and greater flexibility in European Investment Bank lending for infrastructure. But the main burden lies in supply-side measures by member states.

Separately, EC member states approved an ambitious convergence programme put forward by the Greek government.

French general meets Serbs to end aid deadlock

By Robert Mauthner, Diplomatic Editor

GENERAL Philippe Morillon, the French commander of United Nations forces in Bosnia, left Srebrenica in eastern Bosnia yesterday for talks with the Bosnian Serb military commander aimed at bringing aid to the besieged town.

According to amateur radio reports, the flamboyant general, who has set up a command post in Srebrenica in a gesture of solidarity with its thousands of suffering people, went to meet General Ratko Mladic, the Serb commander, near Bratunac, a Serb-held township some 15km away. He reportedly said after the talks that he hoped to get aid to Srebrenica today. It was not immediately clear when Gen Morillon would return there. He had promised not to leave until international aid convoys were allowed by Serb militias to bring relief to the hungry, wounded and sick inhabitants of the town. The Serbs have made it clear that they would not permit relief supplies to be delivered until Gen Morillon had left Srebrenica, where some 1,500 refugees are camped.

In an interview *via* amateur radio with Reuters television in Zagreb, Gen Morillon said just before leaving for his talks with Gen Mladic that he had asked for this meeting "to prove that I am absolutely free in my movements".

"I am in Srebrenica because I decided to remain (until) every condition of the survival of this population is achieved," he said.

"The situation is naturally very, very difficult and that is the reason I will press for the opening of air and road corridors to be agreed as a first priority."

Earlier reports by a US TV reporter said Gen Morillon initially had been prevented from leaving Srebrenica by Moslem refugees who feared that the Serbs would shell them if the UN commander abandoned them. "Then he changed completely; he became a man with a mission," the ABC network reporter said in a radio broadcast at the weekend.

"He told me the suffering that he has witnessed here is about the worst he has ever seen."

The French government said yesterday that it supported Gen Morillon's action in Srebrenica and that it was in line with UN Security Council resolutions on the safe passage of humanitarian aid to zones of conflict in Bosnia. However, the UN secretariat's backing for Gen Morillon, appears to be more lukewarm.

The UN supports him "through gritted teeth", a diplomat said, stressing that the French commander was known as "something of a loose cannon".

While recognising the genuine humanitarian motives behind the general's action, it is feared that he may in the end do more harm than good by provoking the Serbs.

Bundesbank backs deal on solidarity pact

By Quentin Peel in Bonn

LEADING figures in Germany's banking community and members of the Bundesbank council yesterday welcomed the cross-party agreement on finance *for a solidarity pact for east* Germany, in spite of concern about a rise in public sector borrowing.

Mr Reimut Jochimsen, president of the state central bank in North Rhine-Westphalia, and a leading Bundesbank council member, described the deal as a great success. He greeted it with "great relief", while stressing that many of the figures had yet to be agreed in detail.

Mr Hilmar Kopper, chief executive of Deutsche Bank, believed the central bank would not be entirely satisfied, but would continue to relax its monetary policy.

The deal is expected to provide a substantial increase in funds for investment in east German industry, and double the money available for a housing modernisation programme from DM30bn ($18bn) to DM60bn.

Interest payments on the credit will be directly subsidised by the federal budget in Bonn, and the central government will also assume responsibility for servicing DM31bn in outstanding debts on the east German housing stock. The costs are all likely to add to the government's net borrowing requirement in the next three years. A further rise in borrowing in the current year is almost inevitable, because of an agreement to provide an extra DM2bn for job creation schemes, pushing up the 1993 borrowing requirement of the central govern*ment from DM51bn to DM53bn.*

However, the Finance Ministry in Bonn said yesterday that no figure had been put on the increase in the borrowing limit of the Treuhand privatisation agency, reported at the weekend also to be raised by DM30bn. A spokesman for the ministry said it was intended to keep the borrowing increase of the Treuhand within an agreed "buffer" of DM8bn per year for 1993 and 1994, on top of the DM30bn per year it is cur*rently allowed to borrow.* The extra money is intended both for restructuring "core industries" which cannot immediately be sold, and for cleaning up the ecological damage caused by the old industries.

Overall, the solidarity pact will provide the five eastern states with DM55.8bn from 1995 to finance their running costs, DM51bn at the expense of the central government, and DM4.9bn *from the western states.*

The Bundesbank council meets on Thursday amid continuing market speculation about the likelihood of further interest rate cuts.

Editorial Comment, page 18

Recent turbulence in the European monetary system has resulted in a sounder, more realistic exchange rate structure, Mr Helmut Schlesinger, president of the Bundesbank claimed yesterday, Christopher Parkes writes from Frankfurt. It was a mistake to interpret events of the past few months as a dramatic setback for the EMS, he added.

***It was also wrong to expect hard currency countries to direct their interest rate* policies primarily towards maintaining exchange rate stability. That could lead the EMS into an "inflationary cul de sac", he said in a lecture in Milan. He also spoke out against changing the rules of the exchange rate mechanism.**

Energy tax move by EC ministers

By David Gardner in Brussels

EUROPEAN Community finance ministers yesterday reserved the right to make the final decision on whether to introduce the controversial energy tax proposed by Brussels to stabilise carbon dioxide emissions.

Their proprietorial move came as the current Danish presidency of the EC confirmed it was calling a special meeting of environment and energy ministers on April 23 to try to break the logjam on the tax and the EC's overall emissions strategy.

There are still serious reservations among the Twelve about how the tax – which would rise to the equivalent of $10 a barrel of oil by 2000 – would work. But introducing it at all has been made conditional on the EC's main trading partners following suit.

The finance ministers yesterday said they were encouraged by the recent US proposal to introduce a fuel tax, but emphasised it was still not clear what was planned by the EC's other main competitors, such as Japan.

Denmark is nevertheless still hoping a decision can be reached at June's meeting of finance ministers.

Banks fail to face brave new world

A reports says European banking is ill-prepared for Emu, writes **William Dawkins**

MOST European Community banks are dangerously unprepared for the business and technical changes required to adapt to monetary union.

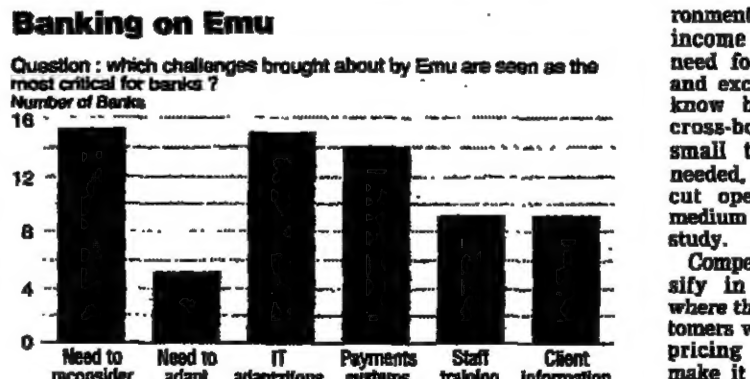
They have only a vague idea idea of when and how union will come about and only rough estimates of the time and cost of the changes – running as high as FFr1.5bn ($.26bn) per bank over at least two years, and possibly as many as five.

There will be upheaval on the European currency markets immediately prior to the fixing of exchange rates. That *will be followed by intense* international competition, which will see weaker banks going out of business as corporate and private customers take advantage of the single currency to seek the keenest prices and best services across frontiers. Trading between European currencies will then tail off, to be succeeded by more active, and hence riskier, trading between the European currency, the dollar and the yen.

That is the alarming picture in a study published today by the Paris office of KPMG Peat Marwick Consultants after interviews with more than 50 leading European Community banks – one of the most detailed assessments yet of the practical impact of monetary union. "There is real danger of the banking industry being harmed if the uncertainty... continues," warns the report, which calls on governments to agree a firm date for monetary union and decide how it is to come about.

Banking on Emu

Question : which challenges brought about by Emu are seen as the most critical for banks ?



Source: KPMG Peat Marwick Consultants 1993

Most EC banks reckon that full monetary union will happen, but not until 1999 or later, in any case well after the Maastricht treaty timetable. They assume it will start with an inner core of countries, based on Germany, France and the Benelux trio and that national currencies will run in parallel with the single European currency for a while. This twin system will be more costly to banks, retailers and businesses than a straight switch. But bankers think politicians will want a twin-track transition with two currencies *to reassure the public.*

Broadly, monetary union will sharply accelerate the greater integration of European banking and the cross-border alliances between banks already under way.

In detail, banks' currency departments will be the hardest hit. Their revenues will fall sharply with the expected decline in trading between European currencies.

Banks, including continental ones, expect a trend towards centralised currency trading in London in the aftermath of union. That is irrespective of whether or not Britain rejoins the EMS and is because of lower UK taxes and the relative ease with which underperforming traders can be fired, thanks to Britain's opt-out of the Maastricht treaty's social chapter, says the survey.

Retail banking will be the next hardest hit by increased *competition, with a fall in prof*its as market inefficiencies are exposed. Banks are expecting to concentrate on selling existing products, especially plastic cards, to new foreign clients, rather than developing new products in this high-risk environment. Retail banks will lose income from the declining need for travellers' cheques and exchange services. They know heavy investment in cross-border payments for small transactions will be needed, but believe this will cut operating costs in the medium to long term, says the study.

Competition will also intensify in corporate banking, *where the ease with which cus*tomers will be able to compare pricing across Europe will make it harder for individual banks to persuade business customers that they offer special value.

As in retail banking, customers will demand better international payment systems. One practical hurdle here is how to reconcile the high-speed payments systems practised in continental Europe, where data only is exchanged between banks, with the UK system where banks physically exchange payment instruments. Bankers say they want a single European payment mechanism for large commercial transactions, in contrast to the several that today exist alongside Swift, the dominant Belgian-based payment system.

Investment banking will be less affected, since services such as mergers, buy-outs and project finance are more linked to general European integration than to the detail of monetary union. However, a successful and solid single European currency could help attract more cash to European equities. Monetary union will boost moves towards a single European equity trading system by making it easier for buyers and sellers to compare share prices in different community stock markets, says the study.

European banks have not experienced an upheaval like this in recent memory, and are finding it hard to identify exactly where the main costs will arise.

The biggest cost will probably be changing computer systems for handling payments, customer information, automatic cash machines and – for retailers – redesigning point of sale terminals. Banks also expect to spend more on training.

Beyond that, the nearest parallel is the upheaval British banks experienced with the introduction of decimal coinage in 1971. Barclays alone purchased £10.5m of bronze coins, weighing 3,500 tonnes and shifted them to 1,000 storage centres before distribution to branches on the change-over day. That exercise took two years.

More recently UK banks took six months to phase in a new £10 note. European monetary union will be on an awesomely different scale.

Consequences of Ecu/Emu: Survey of the European Banking Industry, Ecu3,000 from Michel Demont, partner in charge of the financial sector, KPMG Peat Marwick Consultants (for the European Financial Management and Marketing Association) Tour Fiat, Cedex 16, 92084 Paris La Défense.

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Credit insurance protest in Canada

By Bernard Simon in Toronto

A GOVERNMENT proposal to allow Canada's Export Development Corporation to enter the domestic credit insurance business has drawn strong protests from British and US-owned insurance companies in Canada.

It is the most contentious part of a draft bill, expected to be introduced in parliament this week.

The EDC, Canada's export finance and credit insurance agency, wants to expand into underwriting domestic credit risks to help it win back export business which it has lost in recent years to private-sector insurers offering both domestic and export coverage.

The corporation has seen some of its biggest export accounts move to foreign-owned underwriters, notably subsidiaries of Trade Indemnity of the UK, and American International Companies and Continental Insurance of the US.

These companies have expanded aggressively in Canada over the past few years. Trade Indemnity, which set up in Ottawa in 1989, already underwrites about C$4bn in sales, split roughly equally between domestic and export business. Mr Rick Doyle, its president, says: "If big exporters have found better service and one-stop shopping in the private sector, why should the government come in?"

The private insurers complain that the EDC's status as a government agency gives it many advantages, including tax-free status and the absence of requirements to set up reserves against liabilities. "It would be difficult for us to compete against a company that could basically buy the market," Mr Doyle says.

The EDC declined to comment on the legislation until it is presented. However, it is said to be concerned that the private insurers are "cherry-picking", in other words, taking its biggest and best export insurance customers, and leaving it with the more risky business from mid-sized and small companies.

The new legislation will also expand the EDC's export-finance mandate, with a view to making it more competitive with European and Japanese export-finance agencies. The Corporation is expected to become more active in pre-export financing, including the ability to make direct loans against inventory and working capital assets. The EDC will also be empowered to enhance a financing proposal by taking an equity stake in a company or a project, and will be given greater leeway to provide support for leasing machinery and equipment.

Canadian exporters have complained that the EDC's services are increasingly falling behind those offered by other countries' export finance and credit insurance agencies.

US withdrawal from trade procurement talks has put Sir Leon on the spot

EC ponders next step in row with US

By Lionel Barber in Brussels

THE EC is studying all options – including retaliation – in response to the likely US decision on March 22 to bar European companies from winning certain federal contracts in telecommunications and power generation, the European Commission said yesterday.

The Commission said Sir Leon Brittan, EC commissioner for external affairs, had yet to choose how to respond to the Clinton administration's unexpected withdrawal from talks on the procurement dispute due to open yesterday. But in response to threats of sanctions by Mr Mickey Kantor, US trade representative, an EC official said: "We take him at his word."

Mr Kantor's abrupt decision to call off talks has escalated tensions already inflamed by EC-US disagreements on commercial aircraft subsidies, steel subsidies and the stalled Gatt Uruguay Round. It also has embarrassed Sir Leon, who had claimed that a recent trip to Washington had cemented relations with Mr Kantor.

EC officials admitted yesterday that Mr Kantor had failed to make a courtesy call to Sir Leon ahead of last Friday's announcement. One Brussels official described Mr Kantor as "unpredictable", while others said the unilateral withdrawal amounted to a spur-of-the-moment decision which had surprised the US negotiating team.

Mr Kantor broke off negotiations after learning that the EC would not waive Article 29 in the EC utilities directive, which gives European companies a 3 per cent price preference over foreign bidders, while also giving favoured treatment to EC bidders offering more than 50 per cent local content.

The EC is ready to waive Article 29, but only if the US agrees to waive buy-American provisions on federal and state contracts in water, gas, electrical and telecoms contracts.

US demands that the Community waive the clause before yesterday's talks were tantamount to "getting us to walk naked into the negotiating room", the EC said.

Mr Kantor is due to visit Brussels for talks with Sir Leon on March 29, but the latest row had "rewritten the agenda", an EC official said.


Brittan: thorny problem

Kantor seeks new rules in the free market game

By Nancy Dunne in Washington

WHEN he cancelled this week's talks with the EC, Mr Mickey Kantor, the US trade representative, was saying that the rules of the game must change.

He would have no patience for the squabbling and last minute bandage "solutions" which he believes have produced little gain for American companies in the past.

"Our policy has been that we are for free trade, that we are for improved market access and a Uruguay Round, while our strategy has been, in any given crisis, to do the minimum necessary to avoid some kind of congressional action. Neither that policy or strategy has accomplished much.

"Marathon trade negotiations are now well into their seventh year. Our trade deficits have begun to rise again. Numerous bilateral problems, particularly with Europe, seem permanently on the table."

This summation by Sen J Rockefeller, a Democrat from West Virginia, when he testified on Capitol Hill last week, did not evoke disagreement from Mr Kantor. He has said much the same more diplomatically since taking office.

Mr Kantor has repeatedly stated his aim: "Comparably open markets." The "comparable" can be defined unilaterally by the US through sanctions or through real negotiation.

Mr Kantor has also clearly defined his key role as the enforcer of US trade laws. The 1988 Trade Act required the administration to report on the extent to which foreign governments discriminated against US products and services in government procurement, and to act appropriately to remove the discrimination.

In 1991 Mrs Carla Hills, then the US trade representative, said France, Germany and Italy had discriminated against foreign suppliers of heavy electrical equipment or telecommunications equipment. Consultations were requested and Mrs Hills vowed that, if US concerns were not resolved within 60 days, the president would implement sanctions to take effect by January 1993.

Two months after that deadline, Mr Kantor is prepared to act. He would also "be pleased to sit down with the EC..." he said.

Meanwhile, he has been taking comments from US companies, most of which support the initial sanctions. There could be a second tranche of if the EC retaliates – a move Mr Kantor said he does not expect.

Most US companies do not recommend the US withdraw from the Gatt procurement code, a step Mr Kantor is considering. Many believe the US should bring a complaint to Gatt on the grounds the EC utilities directive fails to provide national treatment for US companies.

The EC can be pardoned for its "surprise" at Mr Kantor's impatience. For four years it dealt with a trade representative who believed it to be "a failure" if sanctions went into effect. Mr Kantor has seen the results of past US accommodation. He has not liked what he sees.

Rolls joint venture secures big order

By Paul Betts, Aerospace Correspondent

BMW Rolls-Royce, the joint venture formed two years ago, has won its second important order for the BR710 aero-engine it is developing for business and regional jets.

The joint venture's BR710 engine has been chosen by the Canadian Bombardier group to power its Canadair global express business aircraft.

No value has been placed on the deal but Bombardier has won 37 firm orders for its long range twin engine business jet. This could represent about $75m worth of business.

The aircraft, which can fly 6,500 nautical miles non-stop at a maximum operating altitude of 51,000 ft, is due to make its first flight in 1996 with the first customer deliveries starting late 1997.

BMW Rolls-Royce is developing the BR710 family of engines at a new plant outside Berlin. The joint venture won its first order last September when Gulfstream of the US ordered 200 BR710 engines worth $500m to power its Gulfstream V corporate jet.

Brussels 'open skies' ambitions scotched

By David Gardner in Brussels

EC transport ministers yesterday agreed to co-ordinate more closely the external civil aviation agreements each member state now negotiates bilaterally.

But they scotched European Commission ambitions to negotiate "open skies" deals on behalf of the EC as a bloc, except on a case-by-case basis requiring a prior mandate from the Twelve.

This concession promises to be limited, in the short term at least, and Brussels has not ruled out a legal challenge.

The Commission has long argued for a common external aviation policy to get better access for EC airlines, and prevent a free-for-all inside Europe which might put at risk its own hard-won deregulation of air transport.

But ministers decided member states "shall remain fully responsible for their relations with third countries in the field of aviation unless and until action has been taken by the Council."

The Council based itself on the transport articles of the EC treaty, whereas the Commission maintains that external aviation agreements come under the the treaty's commercial clauses, which give Brussels broad competence.

Ministers did agree, however, that the EC should establish common rules on aviation relations with other countries. The Twelve and the Commission will thus set up an experts group to:

- Exchange information on and consult on external negotiations;
- Sort out conflicts of interest between states, and possible infringements of EC law;
- Identify areas of common interest where the Community should negotiate as Twelve.

They also agreed yesterday on common equipment standards for air traffic control. These are aimed at integrating 54 control centres, using 31 incompatible systems and 70 different computer languages, and are part of the reason for Europe's growing reputation for air travel delays.

China's Gatt talks resume

NEGOTIATIONS on Chinese membership of Gatt resumed yesterday in Geneva, but little progress is expected over the three days of talks following unsuccessful discussions between China and the US earlier this month, writes Frances Williams in Geneva.

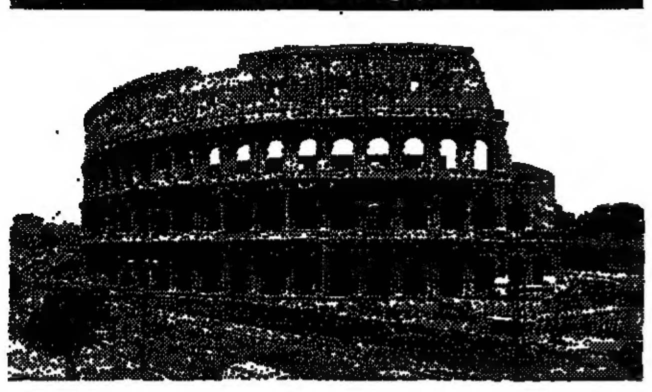
Neither the US nor the EC has sent senior negotiators to Geneva, and part of the US team has been delayed by severe weather. China had hoped to rejoin Gatt this year, but US officials now say membership is a long way off.

The corruption scandal spreading through the top tiers of Italian political and corporate life shows no sign of abating. Public outrage is rising. Demand for fundamental political reform is irresistible, while the cosy business practices which perverted the public tendering process and enriched the construction sector are a thing of the past. Italy's business community is reeling from the arrests of senior executives. International investors are worried. But how badly has the scandal damaged the political establishment in Rome and Italy's business community centred in Milan? Will Italy's always flexible and sometimes free-wheeling corporate culture be indelibly changed?

FT writers examine the state of the scandal and look at how it has affected business life in Italy.

A tale from two cities

ROME The wreckage wrought on the body politic



MAY 1992 The effects of the scandal reach the capital. Milan's magistrates ponder whether to ask parliament to waive immunity on the outgoing Socialist minister of tourism and a recently re-elected Socialist deputy who is also the brother-in-law of Bettino Craxi, the long-time leader of the Socialist party and former prime minister. Craxi is widely expected to head the government being formed in the wake of last month's national election stalemate.

JUN 1992 **The outgoing minister for public works is served notice by Rome's magistrates that he is under investigation. Craxi agrees to withdraw candidature for prime minister. Giuliano Amato, former Socialist treasury minister and head of the special commission looking into Milan scandal, forms government.**

JUL 1992 Chamber of Deputies agrees to waive parliamentary immunity on five MPs. A total of 13 MPs and former ministers are now under investigation by Milan magistrates. Nine more are being investigated in other parts of the country.

DEC 1992 **Craxi is told he is under investigation by Milan magistrates. Parliament agrees to waive immunity of Socialist deputy leader and former foreign minister so that Venice magistrates can investigate allegations against him. Socialist party executive postpones decision on Craxi's leadership.**

JAN 1993 Craxi served with second notice by Milan magistrates, who ask parliament to waive his immunity. Rome magistrates investigate purchase by Treasury of buildings in Rome. Forty-four people, including senior civil servants and a former treasury director-general, are charged. Police raid offices of Socialists.

FEB 1993 **Claudio Martelli, Socialist justice minister, resigns after being told he is under investigation in Milan. The number of separate investigation notices to Craxi increases to six. Craxi resigns as party leader after 16 years in the job. Gabriele Cagliari, president of Eni, told by Rome magistrates he is under investigation. Two under-secretaries in Budget and Interior ministries are warned. Prominent figures in parties other than Socialists are increasingly involved in investigations. Health minister Francesco De Lorenzo resigns after deputies vote to remove immunity. Finance minister Giovanni Goria resigns. Although not under recent judicial investigation, he has been embroiled in another long-running investigation. Tension rises as magistrates in Rome, Milan and other cities order a wave of arrests. Republican party leader Giorgio La Malfa resigns immediately after being informed he is under investigation. More than 50 deputies and senators are now caught up in the various investigations.**

MAR 1993 A hitherto obscure television programme presenting court cases becomes mass viewing. Craxi says magistrates are in co-ordinated plan to decapitate Socialist influence. Amato's four-party coalition agrees on legislation that would transfer the investigation of illegal political funding from magistrates to politically appointed regional prefects. There is public uproar, Milan magistrates object, Environment minister Carlo Ripa di Meana resigns in protest, and President Oscar Luigi Scalfaro refuses to sign the government's decree that would open way for a political solution. Amato wins backing of coalition parties after turbulent parliamentary debate, but widespread protest continues. Amato leaves proposed legislation with a divided parliament. More than 1,000 senior politicians and businessmen are now under investigation, but this is likely to prove to be only the tip of the iceberg.

MILAN The sword hanging over the business community

FEB 1992 **The beginnings of what will become known as "the Milan corruption scandal" is revealed almost accidentally. A Socialist apparatchik is caught red-handed taking a L7m (£3,200) kick-back for a cleaning contract at an old peoples' home. *Milan's magistrates have been* on trail of corruption ever since.**

MAY 1992 The scandal enters its third month with the charging of two leading figures in the construction industry. Six other prominent people in the industry have already been charged. Most notably, Enzo Papi, managing director of Fiat's big building subsidiary, is detained. In all, 26 businessmen, municipal officials and local politicians have now been arrested.

JUN 1992 **Number of accused prominent businessmen and politicians rises to more than 40. Police announce that a prominent Socialist killed himself after going to see investigators.**

JUL 1992 Salvatore Ligresti, the king of construction in Milan and one of Italy's richest men, is arrested. Seventy-six local and national politicians have been either charged or are under investigation.

DEC 1992 **The lira, already buffeted by turmoil in the ERM, for the first time comes under pressure because of Italy's political uncertainty.**

JAN 1993 Magistrates announce that Paolo Berlusconi, the younger brother of media magnate Silvio Berlusconi, will be put on trial. He is latest of 35 businessmen and politicians who magistrates say will go to trial. Magistrates widen investigations to include reorganisation of chemicals industry in 1990. Under investigation are Eni, the state oil concern, the Ferruzzi Group's Montedison, and Anas, the state road building authority. The number of persons arrested since the beginning of the scandal passes 100.

FEB 1993 **Financial markets are rattled by fears of political chaos. Heavy selling of shares, and the lira slides. Intervention restores calm to markets. A total of 105 businessmen, politicians and civil servants are said to have confessed to taking part in a system whereby public contracts were awarded on the basis of illicit payments to fund party organisations. Latest line of investigation centres on the electricity generating industry. More arrests, increasingly involving prominent business figures. Two top Fiat executives are arrested in their Turin homes, one of whom is the group's chief financial officer. Magistrates announce that Raul Gardini, former head of Ferruzzi-Montedison, is under investigation.**

MAR 1993 Italy's credit ratings begin to be affected. Standard & Poor's announces downgrading after Moody's places the country's debt under review. Gabriele Cagliari, president of Eni, arrested. Share prices fall, and Bank of Italy forced to support lira. Calm restored to markets. Chairmen of four big Eni subsidiaries arrested, and police raid group's operating headquarters.

Magistrates hold key to unlocking of Tangentopoli

They will set the investigation agenda, writes Robert Graham

OVER the weekend the Italian media felt obliged to comment on a non-event. No new arrests had been carried in any of the country's ever more numerous corruption scandals which centre on the illicit funding of political parties through bribes on contracts.

Such arrests have become such a part of the fabric of daily life that it is indeed an occasion when nothing happens. But this is only a pause.

The anti-corruption drive has gone too far to be halted easily and is now attacking the heart of the post-war politico-economic system. The traditional balance of power has altered and the politicians no longer control the judiciary; or rather that part of the judiciary which matters, the *investigating magistrates*.

A weak government and a fractious parliament have tried, and failed, to impose a political solution which would limit the scope and consequences of the corruption investigations. As a result the magistrates, particularly those in Milan, are setting the agenda. The speed and scope of the investigations will be determined for the foreseeable future by the ability and willingness of the magistrates to proceed. The public is firmly behind them. Anger is rising as proof accumulates of what has been little short of the rape of the state during the last two decades.

The need for a political solution, which prime minister Giuliano Amato began to explore last month, was and remains real. If Italy's system has been so permeated by corruption, the very institutions of democracy risk being weakened if the judicial surgery is too abrupt and all-embracing.

Secondly, there is the issue of how guilt *is* apportioned in a system that is so thoroughly corrupt, and whether individuals are to be punished or whether society as a whole should be blamed for allowing the situation to develop. Finally, the sheer volume of work both at the investigative, prosecution and then appeal stage threatens to bring an already torpid and bureaucratic judicial system to a standstill.

Italy cannot afford to have the corruption scandals carried through the courts for the next six to 10 years without political instability and serious economic disruption. Already, Italian companies are worried about their image abroad.

It is now clear that the scope for investigation is limitless. What started out a year ago with Milan being dubbed *Tangentopolis* (literally bribe city) has become *Tangentopoli* (bribe cities).

Large and small cities alike have seen their favourite sons either indicted or reputations ruined. Milan, Naples, Turin and Rome – the four biggest cities – are without political guidance as the ruling coalitions have been decimated by a combination of arrests and alliances broken in the fall-out from corruption scandals.

In northern and central Italy the political élite is on the retreat, if not disappearing. Political control of the public sector, *through state companies and thousands of* municipally owned entities, which has been the central element in the corrupting process, has been undermined. To some extent all the major state concerns are involved – Iri, the state holding company; Enel, the electricity authority; Efim, the industrial holding company in liquidation; Eni, the state energy company and Anas, the roads authority.

The enormous bounty of power station contracts in Enel's patronage is emerging as a key source of bribes paid by contractors to the political parties. But Eni is rapidly becoming the centre of attention. Last week, Mr Gabriele Cagliari, the Eni chairman, along with the heads of the company's four major subsidiaries, was arrested on charges of illicit party funding and falsifying accounts.

Magistrates are investigating three main areas of Eni activity:

- The involvement of Eni with Banco Ambrosiano prior *to the latter's collapse* in 1982, and the payment into a Swiss bank account of money for the Socialists;
- The reorganisation of the chemicals industry with Ferruzzi's Montedison in 1989-90;
- The use of Eni's subsidiaries in providing funds to parties based on foreign contracts (such as gas supplies from Algeria) and the profits derived from dealing in oil and other hydrocarbon commodities through Swiss associates.

All these promise explosive revelations concerning the scale of money taken by individuals and the parties through manipulation of state companies, as well as exposing the "Swiss connection" *in Italian* business dealings. The issue of individual enrichment in taking kickbacks has not been touched. At least 30 per cent of the L5,000bn (£2.2bn) – L6,000bn believed to have been taken annually in "commissions" went not to political parties but to individuals in kind or cash. Milan magistrates have left this issue to one side.

Other areas which have yet to fall within the magistrates' net include government investment and procurement for the railways, which is planning massive investment in a high-speed train network, and the defence sector. The civil service *itself is only* just beginning to be touched with investigations into public works, overseas aid controlled by the Foreign Ministry and export credit guarantees.

Equally, the investigations remain essentially a phenomenon of north and central Italy. This is because the grip of the Christian Democrats and Socialists remains strongest in the south and the judiciary there is more susceptible to political pressure. In the south, too, the thrust of magistrates' energy tends to be directed at organised crime.

The party most visibly affected has been the Socialists, but smaller parties have also suffered.

The only parties to emerge with a clean sheet so far are the communist splinter group, Reconstructed Communism, La Rete (The Network, the Sicily-based reform movement), the neo-fascist MSI and the Lombard League, whose rise to power *derives precisely from its opposition to the* corrupt old system in the north.

These are stridently calling for the corrupt to be punished and are likely to be the main beneficiaries if elections were to be held under the present system of proportional representation. Yet even they recognise that the old system is unworkable in the long term. Only a new parliament elected on a fresh set of electoral regulations is likely to have the moral authority to deal with the issues raised by *Tangentopoli*.

Politicians start feeling downside of family ties

By Robert Graham

THE CLOSE-KNIT nature of *the Italian family is proving to* have some disadvantages as the reputations of politicians and businessmen become damaged by close relatives caught up in the scandals.

Take the case of Mr Francesco de Lorenzo, a member of the Liberal party who resigned on February 19 as minister of health. That morning his 89-year-old father, Ferruccio, had been arrested on allegations that he received an illegal commission of L1.7bn (£741,000) for a series of property deals. Mr de Lorenzo owed his political career to contacts of his father in his political fiefdom of Naples.

His father, a prominent Naples doctor, has been three times a parliamentary deputy, a former under-secretary of health and for years head of the national medical association. The allegations of corruption centred on the property purchases for the doctors' health insurance association which Ferruccio de Lorenzo headed.

Although resignation is rare in Italian politics, Francesco de Lorenzo, as minister in charge of the medical profession, was left with little alternative.

The activities of Mr Michele de Mita *forced his well-known* elder brother, Ciriaco, to resign from his key post as head of the joint parliamentary constitutional reform commission on March 2. This followed Michele's arrest in connection with an alleged foodstuffs fraud linked to the 1980 earthquake at Irpinia, southern Italy.

Ciriaco, a former Christian Democrat prime minister and heavyweight on the left of the party, is the local potentate *around Avellino, one of the* areas most affected by the earthquake and where misuse of disaster relief funds has been most keenly felt.

Others have been more *fortunate in limiting the damage* caused by the involvement of some family members with the law. Mr Bruno Tronchetti Provera, head of Mariani, a company involved in a consortium setting up a gas distribution network in Milan, was arrested for allegedly paying a bribe of L1.6bn (£697,000) to a Republican party politician. Although Bruno is brother of Marco, chief executive of Pirelli, and although Mariani is linked by shareholdings to the tyre group, the two have managed to stay separate.

On the other hand the higher public profile of Mr Silvio Berlusconi, the media magnate, has also brought his links with the Socialists under scrutiny; and he has had to make very clear that his Fininvest is no longer involved in Milan property dealings.

Mr Craxi, who risks losing parliamentary immunity to face charges of alleged corruption, never ceases to castigate the press and the magistrature for singling out his family for vilification.

According to Mr Mario Chiesa, a Socialist party functionary and the first person caught in the scandal and to confess to Milan magistrates, he helped "Bobo" (Bettino's *son) into politics* using funds illicitly collected from contract kickbacks. "Bobo" has now withdrawn from politics.

Stefania, Bettino's daughter, has been portrayed by the press as unfairly benefiting from her father's influence and the Socialists' control of the second state television channel to set up a TV production company.

Mr Craxi is also foisted with the plight of his brother-in-law, Mr Paolo Pillitieri, *former* mayor of Milan, who faces charges of illicit party financing.

Billions paid in public sector contract bribes

By Robert Graham in Rome

FROM confessions of *businessmen*, politicians and civil servants it has become clear that virtually all transactions from the mid-1980s onwards in the public sector were subject to bribes and commissions. This was also true of a considerable slice of private construction activity, as well as supply contracts.

How much was creamed off in bribes and illicit commissions each year? How much did this cost the economy?

Total public spending in 1992 was L135,000bn (£59bn)- L70,000bn (£30bn) on the purchase of goods and services and L65,000bn (£28bn) in investments.

According to confessions to the investigating magistrates, supply contracts routinely carried a *commission of between* 5 and 10 per cent.

Public works contracts, which totalled L30,000bn, carried a 3 per cent commission. But this rose to 4 per cent in the case of private treaty deals with Anas, the roads authority (*which* accounted for 10 per cent of public works contracts).

Building permits and property development permissions carried a commission of 6-8 per cent of the value of the project. The construction industry had a turnover of L156,000bn in 1992.

On a crude median of 5 per cent for both supply and investment projects, and total public spending of L135,000bn in 1992 – then L6,750bn (£3bn) was paid out last year in bribes. *If this is* reduced because some expenditure reflects projects on which commissions have already been paid, then the figure could be cut to a minimum of L5,000bn (£2.2bn).

But this figure only includes public sector spending. Public works contracts represent a mere 20 per cent of the construction industry's annual turnover of L156,000bn.

When building permits and permissions for property developments are factored in, it would not be unreasonable to put a figure of around L6,000bn (£2.6bn) per year being creamed off.

How much of this went into private pockets and how much to the political parties is hard to tell.

According to those who have confessed to the magistrates, at least 30-40 per cent of total bribes paid went directly to personal enrichment – much *more in the case of the private* construction sector and the granting of building permits.

It is also difficult to distinguish between benefits in kind which have been connected to party work – free travel, gifts, apartments, telephones, etc- and direct self-enrichment.

The cost to the economy has to be measured partly by:

- the extent to which contract values are increased to absorb the bribes/commissions;
- the increased cost of contracts due to the absence of competition. Ministry officials say public works contracts could well have been inflated by 15 per cent or more.

There is also the hidden cost of high public spending, reflected in the public sector deficit equivalent *to almost* 11 per cent of gross domestic product and the expense of both borrowing and servicing Italy's huge national debt, equivalent to about 107 per cent of GDP.

This latter element is extremely important: if at the beginning of the 1980s corruption had a silver lining, in that it encouraged greater private consumption expenditure and even investment into the economy, by the end of the 1980s the accumulated impact was simply to fuel ever-higher public spending, thus substantially raising the national debt.

ITALY'S CORRUPTION SCANDAL

Foreign competitors may win the ultimate kickback

Scandal threatens to count against Italian companies seeking public sector deals at home and abroad, writes **Haig Simonian**

BUSINESS as usual is the motto at most Italian companies, whether the minority tainted by arrests and allegations of paying kickbacks or the vast majority so far unaffected.

However, the unwinding scandal has not gone unnoticed by Italy's exporters or the thousands of foreign companies operating subsidiaries in the country.

Leading exporters largely brush off the effects of the scandal on their businesses, describing the affair as being limited to domestic public-sector contracts. However, there are already signs that their foreign competitors may be trying to turn matters to their advantage.

So far, there have been no examples of big contracts being lost. However, with other European markets in recession and competition in many of the industrial sectors in which Italians specialise growing ever more cut-throat, it may not be long before an important deal slips through a company's fingers because of the impact of the scandal.

Some state-owned companies may already be feeling the impact. Italstrade, the big civil engineering arm of the Iri state holding company, believes it may have lost its chances of winning a tunnelling contract for London Underground's Jubilee line extension because of financial problems at its parent and adverse publicity.

The company, which is part of IRI's loss-making Iritecna building and general contracting subsidiary, has already signed a letter of intent to build a tunnel under the Thames for a section of the new line. But hopes to construct a further part from London Bridge Station appear to be receding after requests for more information and guarantees about the position of the parent company.

Mr Eberhard von Koerber, the deputy chairman of the multinational ABB engineering group, who is also responsible at board level for the Italian market, has had ample reason to get to know the Italian market. ABB is believed to be interested in both the big state-owned engineering groups on the privatisation list – Nuovo Pignone, the turbines and compressors subsidiary of the Eni energy and chemicals concern and Breda Costruzioni Ferroviarie, the railway equipment group owned by the Efim state holding company, now in voluntary liquidation.

Mr Von Koerber was blunt: "... The Italian managers with whom I met to discuss [privatisation] are either in jail, disappear at night, or have been fired. That would be inconceivable in Germany."

Last week, Mr Franco Ciatti, Nuovo Pignone's chairman, was arrested on allegations linked to the corruption scandal. So far, the investigations have not touched BCF.

But ABB itself has been caught up in the net. Earlier this year, Mr Umberto di Capua, head of its big Italian subsidiary, was arrested and briefly detained in San Vittore prison on allegations of kickbacks linked to orders for Milan's new third metro line. The allegations followed the interrogation last year of Mr Ivo Braglia, another ABB executive.

"We all knew that in Italy, things tended to be done differently than in other countries," said Mr Von Koerber. "But if there's a strong state role in the economy and legislation which is not very clear on financing parties, it's possible to arrive at the sort of situation which is now being dismantled."

Italian exporters have had a strong reputation for innovation, technical expertise and a strong commercial sense. Of late their competitive edge has been sharpened by the devaluation of the lira against most major currencies. But with stiff competition in the markets, few should be surprised if their foreign competitors start benefiting as the domestic corruption scandal rumbles on.

Privatisation candidates in the spotlight

By Haig Simonian

ITALY'S ambitious privatisation programme avoided the taint of the growing scandals until last week, when a series of raids by Milan magistrates against subsidiaries of Eni, the state energy and chemicals group, brought prime candidates for privatisation directly under the scandal spotlight.

Last Monday Mr Franco Ciatti, chairman of the Nuovo Pignone turbines subsidiary of Eni, was arrested on corruption charges, along with Mr Gabriele Cagliari, Eni's chairman, who was also accused of illegal funding of political parties.

On Wednesday night, Mr Raffaele Santoro, Mr Pio Pigorini and Mr Giovanni dell'Orto, chairmen of Eni's Agip petroleum, Snam gas distribution and Saipem exploration subsidiaries respectively, were detained on charges of illegal party funding and falsifying company accounts.

Nuovo Pignone is one of the most prominent candidates for privatisation, while both Agip and Snam had been hoping to float part of their capital under a long-heralded scheme to bring in private shareholders.

The latest developments will complicate a privatisation programme which had already received a cool response from potential buyers. Recession and unattractive strings attached to some of the biggest privatisation candidates mostly explain the lack of enthusiasm.

Matters have been exacerbated by differences within the government over privatisation

But matters have been exacerbated by differences within the government over privatisation. Last month for example, Prime Minister Giuliano Amato tried to push aside Mr Giuseppe Guarino, his industry minister, who had become a substantial obstacle to privatisation.

Mr Guarino's refusal to resign his portfolio in favour of Mr Paolo Baratta, who was later appointed privatisation supremo, highlighted the continuing strength of the political opposition to piecemeal sell-offs. Ministers hope the transfer of responsibilities for privatisation from the Industry Ministry will help get the programme off the ground.

Only a handful of transactions have been concluded since the government made privatisation one of its priorities after taking office last year. And the deals which have been completed are small in scale compared with those still to be sold.

Still pending are the disposals of Credito Italiano, Italy's sixth biggest bank, and Nuovo Pignone, both of which were announced in September. Another big privatisation yet to be concluded is that of the food production side of the SME foods, retailing and catering group, and the planned flotation of an initial stake in the Ina insurance group.

SME should be the easiest to sell. The disposal of its food manufacturing activities – and possibly its supermarkets and catering business at a later stage – was advertised this month, and the deal should cause few problems.

But it could still go awry if opponents of the sale try to use the courts to block the complex division of the group into the three or four separate companies essential to the disposals.

Moreover, SME's Naples headquarters are occupied by dissident workers opposing the proposed break-up. They have prevented the retrieval of important documentation needed to pave the way for a sell-off.

There are convincing reasons for the delays in bringing other transactions to fruition. For example, it is believed that Merrill Lynch, the US investment bank sounding out buyers for Credito Italiano, has failed to find a suitable candidate.

Its remit has been complicated by the likely L6,000bn (£2.7bn) price tag for the 67 per cent stake held by the Iri state holding company and the public tender offer that would subsequently be required under new bourse laws for the remaining shares floating on the stock market.

The sale has also been stymied by poor timing by the government. Efforts to dispose of the well-regarded bank have been complicated by the forthcoming sale of Banca Commerciale Italiana, one of Italy's most prestigious financial institutions. Many buyers, especially the consortia of domestic financial and insurance interests seen as the most likely candidates, are waiting for BCI to come on the block.

The outlook for selling the big Treasury-owned IMI investment banking and insurance concern to a group of savings banks, led by Milan's Cariplo, remains unclear as the long-running saga, now well into its second year, rolls on.

Nuovo Pignone should have been relatively easy to sell, given its strong reputation for turbines and compressors. However, Mr Ciatti's arrest and the fact that much of its business comes from Eni complicates assessments of its value and saleability. The works' council at Nuovo Pignone's Florence headquarters this week called for privatisation to be suspended.

Plans to float Agip and Snam have also been tainted by the corruption scandal. The latest setback comes on top of existing differences in the government over Eni. While some officials want the flotations, probably involving 10-20 per cent of the shares in each subsidiary, to go ahead quickly, others are still pressing for a flotation of Eni itself.

The latest wave of arrests at the group could, surprisingly, speed that process. While the next few months are likely to be turbulent, the call for a "fresh start" – probably linked to privatisation – could prove irresistible. The blow to some of the group's most powerful subsidiaries, which were previously stressing their independence, may strengthen the hand of those calling for flotation of the group, rather than its subsidiaries.

The Ina insurance group represents one of the government's most attractive candidates. Yet an embarrassing and highly public difference of opinion between the group's chairman and managing director over its restructuring means plans to privatise the company could still be delayed.

Setbacks to the government's timetable mean some smaller privatisations may jump the queue. Prominently placed until last week's arrests were Eni's Savio textile machinery operation and the Agip Coal natural resources operation. However, both transactions may now be held up.

Progress may also be forthcoming in disposing of some of the more attractive assets of the Efim state holding company, now in voluntary liquidation. Formal bids for Efim's big Siv glass subsidiary are expected to be invited later this month.

There has also been considerable behind-the-scenes activity among potential buyers for Efim's Breda Costruzioni Ferroviarie railway equipment maker. In both cases, however, the proceeds will be little more than a drop in the ocean of the government's overall privatisation targets, given the modest financial performance of the two companies.

Swiss tired of being Europe's laundrymen

By Ian Rodger in Zurich

IT SEEMS that whenever there is an Italian scandal, there is a Swiss connection.

From the Chiasso affair in the late 1970s through to the *Tangentopoli* affair that is now shaking Italy's entire political system, Swiss banks always appear in a prominent, if rather sleazy, role.

Last week yet another connection emerged when Mr Pierfrancesco Pacini Battaglia was named as one of the main intermediaries funnelling kickbacks from Eni, the Italian state energy group, to political parties.

Mr Pacini Battaglia, now under arrest, apparently managed his funds through a small Geneva private bank called Banque Karfinco, of which he is a director.

Now, however, there are signs that not only the Italians, but also the Swiss, are tiring of what has been a mutually convenient arrangement for decades.

Last weekend, police in the Italian-speaking canton of Ticino confirmed that Mrs Carla Del Ponte, the chief prosecutor, has been receiving special protection for several months. She has been particularly vigorous in investigating Mafia cases.

Later this year, the Swiss federal government plans to pass a package of tough penal law reforms aimed at preventing criminals everywhere from using Swiss banks.

And leaders of the Swiss financial community are urging the authorities to accelerate appeal procedures behind which suspects have been able to hide for years.

"The appeal process is too complicated. It is not in our interest to slow down the process," Mrs Gertrud Erismann of Union Bank of Switzerland says.

UBS is the other Swiss bank that has been publicly linked so far with the political corruption scandals in Italy. Mr Silvano Larini, a close associate of Mr Bettino Craxi, the former Italian prime minister, opened the so-called "Protezione" account at UBS's Lugano branch in 1979.

Over the subsequent two years, Mr Roberto Calvi, then president of Banco Ambrosiano, paid $7m (£4.9m) into it, and it is alleged that Mr Craxi and Mr Claudio Martelli, the former justice minister, subsequently had access to the account.

UBS was embarrassed by demands from the Geneva police last autumn for information on the account, which were accompanied by an insistence that the client not be informed. UBS felt obliged to appeal on behalf of the client, even though it did not want to hinder the investigation. Geneva police have since allowed the client to be informed and UBS has withdrawn from the appeal.

Switzerland was slow in responding to changing international attitudes to dirty money. In the early 1980s, Bern enraged US authorities by being less than helpful in US demands for help in a few insider trading investigations.

In the late 1980s, the country came to be seen as a main centre for drug money laundering, especially by the Italian Mafia. A 1989 federal parliamentary commission accused the public prosecutor of laxity in pursuing narcotics investigations, and a book with the cheeky title Switzerland Washes Whiter became a best seller.

As so often though, once the Swiss decided to act, they moved quickly and effectively. In August 1990, amendments to the penal code were passed making it an offence for a Swiss banker knowingly to accept money that had been made from criminal activities.

The Swiss Federal Banking Commission backed up the new laws by making clear that it would regard the acceptance of dirty money through negligence as a possible contravention of the banking law's stipulation that the conduct of business be above reproach. Also, banks were henceforth obliged to know the real beneficial owners of their accounts.

This tightening has already had a significant impact. According to one leading Lugano banker, any Italian who reveals that he comes from southern Italy stands little chance of opening an account in Switzerland these days.

However, it does have weaknesses. Swiss bankers point out, for example, that many of the individuals being named in the current Italian scandal would have been welcomed as clients because of their high standing.

Now a second reform package is on the way. Justice ministry officials say it will make membership in a criminal organisation an offence. This is particularly significant with respect to the Mafia and the P2 Masonic Lodge.

Switzerland has treaties of mutual assistance on criminal cases with most countries, including Italy. However, the Swiss will only co-operate with a foreign government if the crime being pursued is also a crime in Switzerland. Thus, it will become easier for the Italian authorities to pursue Mafia and P2 cases in Switzerland.

The new law will also give Swiss bankers the right, if they are suspicious of a client, to tell the police without risking prosecution for violating bank secrecy. This will bring an end to the potential for conflicts of interest that tormented bankers after the 1990 reforms.

The Justice department also intends to set up a specialised office for dealing with organised crime and to establish liaison officers abroad, notably in Washington and at Lyons, the headquarters of Interpol.

All this does not mean that Swiss banks are going out of the financial haven business. For Italians, or anyone else, seeking to avoid tax, it is business as usual. Tax evasion is not a criminal offence in Switzerland.

Philosophical investors push up share prices despite probes

By Haig Simonian

UNDETERRED by the almost daily spectacle of new boardroom-level arrivals into Milan's decrepit San Vittore prison on corruption allegations, Italian shares have risen by about 14 per cent this year.

The resilience of equities to the revelations now involving most leading companies suggests that most investors are unconcerned by the arrests. Rather than tumbling with each new leak about kickbacks on contracts, the capitalisation of most companies has surged in 1993.

The reasons lie in expectations of lower interest rates, the benefits of a cheaper lira for exporters and last summer's deal between unions and employers to abolish the *scala mobile* wage indexation system. Concern about corruption has so far been contained to a handful of cases.

The pace of the rises also reflects many investors' underweight positions in Italian stocks. Once sentiment began to shift last month, topping up depleted portfolios created a bandwagon effect. "Once the ball started rolling, most investors had to start buying not to miss the market's performance, even if they had doubts about the fundamentals," says one analyst.

Concern about individual arrests has been brushed aside in the context of broader corporate prospects. "Institutional investors understand that the companies are still in business. Arresting Mr Francesco Paolo Mattioli, Fiat's chief financial officer, doesn't mean it has stopped making cars. The question is whether the new Uno will be a good car, not whether a given executive is in jail," says Mr Gianluca Codagnone, an analyst at Milan brokers Aloisio, Foglia, Ventura.

Fiat's share price has climbed steadily this year, reaching L5,560 yesterday. That compares with L4,810 on February 17 last year, when Mr Mario Chiesa, the Socialist administrator whose testimony triggered the investigations, was arrested.

Yet the general rise in prices on the bourse masks differing sectoral performances. Construction, most affected by the scandals, has been hit hardest. Shares in Fiat's Cogefar-Impresit building subsidiary have dropped to L2,730 from L3,443 when Mr Chiesa was arrested.

Last May, Mr Enzo Papi, the group's former managing director, spent 55 days in San Vittore under interrogation by magistrates.

The virtual freeze in public works contracts has continued to dampen the sector's performance.

The problems in the building sector have spilled over into related industries. Italmobiliare, the holding company for Mr Giampiero Pesenti, the industrialist detained last month and now freed, have sunk to L40,000 from L64,200 when Mr Chiesa was arrested last year. Italmobiliare's main subsidiary is Italcementi, Italy's biggest cement group. Like other cement and building materials concerns, it has been hurt by the building slowdown and problems at Ciments Français, the French cement maker it bought last year.

Companies dominated by single individuals embroiled in the investigations have also suffered disproportionately. Shares in the Filippo Fochi plant engineering group tumbled on the arrest of Mr Roberto Fochi, its chairman and managing director. His subsequent release from jail, combined with a big Iranian contract, was greeted by a marked recovery in the stock price.

Sometimes negative factors have coincided, triggering particularly sharp falls. The Premafin group of Mr Salvatore Ligresti, the Milan property magnate arrested on corruption charges last year, stands out.

Shares in Mr Ligresti's Grassetto building concern have tumbled by more than half since Mr Chiesa's arrest. Premafin's share price fall has been even more dramatic, reflecting the role of Mr Ligresti in the group. Premafin's shares have plummeted to L5,500 from L11,075 in mid-February 1992.

Shares have also fallen in a handful of cases where investors believe companies may face one-off costs as a result of the investigations. Ferruzzi Finanziaria, one of Italy's biggest private-sector holding companies, and Montedison, its big chemicals and agro-industrial arm, both saw their shares slide when magistrates turned their attention to the ill-fated Enimont chemicals joint venture.

Enimont was wound up in late 1990 when the state-owned Eni energy and chemicals group bought out Montedison's 40 per cent stake. The L2,800bn price paid is now under examination, amid allegations of deliberate over-valuation linked to kickbacks to political parties.

The Enimont inquiries have already involved some of Italy's best-known entrepreneurs. Mr Raul Gardini, chairman of Montedison's parent company at the time, and Mr Sergio Cragnotti, former Ferruzzi executive who used to be Enimont's managing director, have been told by magistrates they are under investigation.

In spite of the uncertainty created by the investigations, many analysts believe the corruption scandal will eventually help Italian companies. "It will eventually be much easier for the market to judge companies on their skills and competitiveness, rather than the quality of their political contacts," says Mr Codagnone.

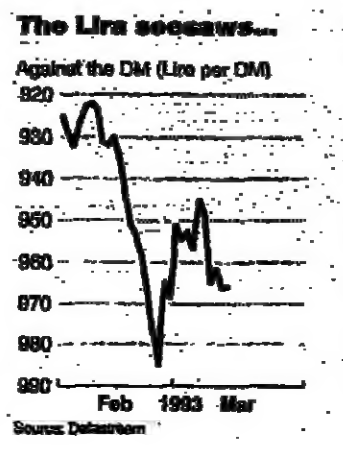
The demise of contracting through private tenders, which paved the way for many of the inflated public-sector deals now under investigation, may even help some state groups facing heavy investment programmes.

One analyst points out that at least part of a contract – the part which might have represented kickbacks – would not now have to be paid.

Most of his colleagues fear the close scrutiny likely to be given to big contracts may slow decision-making.

However, they agree the greater transparency that should ensue will cut costs and improve efficiency in the end.

The Lira seesaws...



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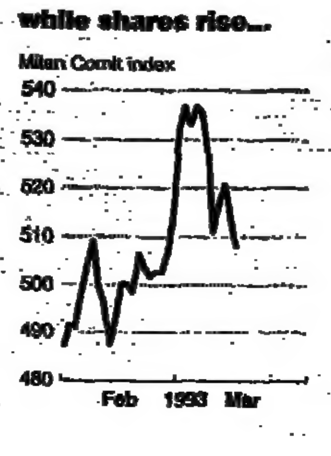

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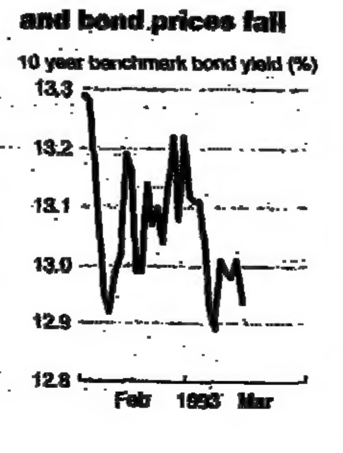


Debt mountain still unclimbed amid turmoil

By Tracy Corrigan in London and Haig Simonian in Milan

THE URGENT economic problems facing Italy are being shunted to one side as a result of the political turmoil.

The greatest burden is the extremely high level of government debt. Italy's debt mountain currently accounts for around 107 per cent of the country's gross domestic product, and the government's deficit forecast of L155,000bn (£67.6bn) in 1993 is believed to be on the conservative estimate.

Even if the referendum on electoral reform on April 18 paves the way for a more stable government, the reform process is likely to take several months. Meanwhile, hopes generated by the deficit reduction package agreed last autumn have faded, as the political storm clouds have cast doubt over its implementation.

Italy is trapped in a vicious circle: its problem is not only the size of its debt, but the enormous burden of interest payments, due to high interest rates.

Unlike the UK, Italy has not benefited from withdrawal from the European exchange rate mechanism by cutting interest rates because, without high interest rates, it will not be able to fund its government deficit. However, unless interest rates fall, servicing of the public debt will continue to eat up a large part of government revenues.

"If you took away the cost of servicing the debt mountain, Italy would actually be running a surplus," said Mr Andrew Roberts, Italian bond analyst at UBS Phillips & Drew.

In 1990 10-year Italian government bonds yielded 4 percentage points more than German government bonds, the same margin as existed between the inflation rates of both economies, so real returns were comparable. Currently, 10-year Italian bonds are yielding 12.85 per cent gross, 6.3 percentage points more than comparable German bond yields, despite the fact that inflation in Germany and Italy is now running at the same rate.

As a result of the political turmoil, Italian bonds have largely failed to benefit from the recent rally in European bond prices, even underperforming bond markets such as Spain, which is also suffering from economic problems.

"If interest rates were close to where they are in Germany, that would cut the total deficit of L160,000bn by about 50 per cent," estimates Mr Steve Major, a bond analyst at Credit Lyonnais Securities. "A 1 per cent cut in interest rates is worth about L15,000bn a year, while 1 per cent economic growth is worth about L10,000bn."

Of course, while interest rates remain high, the prospects of economy recovery will also be depressed.

Italy's debt financing costs have been increased further by the fall in its credit ratings from the top level of triple-A to double A minus by Standard & Poor's and double-A 3 by Moody's, which is considering a further downgrade. Although these ratings apply only to the country's foreign currency debt, the impact of repeated downgradings has helped push up Italy's financing costs across the board.

Even though the cost of foreign borrowing has increased, the Italian government is likely to continue to borrow in foreign currencies, with lower interest rates, when such financing is available. Most recently, Italy raised DM5bn (£2.1bn) in the Eurobond market. However, the appetite of international investors for Italian paper will remain limited during the political upheaval. Meanwhile, a recent Ecu8bn (£6.6bn) loan by the European Community provides little more than temporary respite.

Amnesty plan for Salvadoran abuses

By Damian Fraser in Mexico City and Michael Littlejohns at the UN in New York

EL SALVADOR'S President Alfredo Cristiani has proposed an amnesty for active and former high-ranking military officers blamed by a United Nations report for some of the worst atrocities of the country's 10-year civil war.

The report, released yesterday, cites "substantial proof" that General Rene Emilio Ponce, who resigned as defence minister on Friday, and four other military officers ordered the killing of six Jesuit priests in 1989. It says the late Mr Roberto D'Aubuisson, extreme right-wing leader of the Arena party, ordered the murder of Archbishop Oscar Romero in 1980. The US-trained Atlacatl battalion was held responsible for the massacre of a thousand civilians at El Mozote in 1981.

The murders, assassinations and other human rights abuses were committed during a civil year that pitted the US-backed army and civilian government against left-wing guerrillas. The US gave the army and government around $6bn in aid during the 1980s, despite accusations by human rights observers that the Salvadoran military was guilty of the crimes now described in the report.

The two sides reached a peace agreement last year, with the Salvadoran government agreeing to give the rebels land, purge the military, and reform the police and judiciary, and set up a commission to investigate the worst acts of violence.

The UN report was written by Mr Belisario Betancur, former Colombian president, Mr Reynald Figueredo, former Venezuelan foreign minister, and US jurist Mr Thomas Burgenthal.

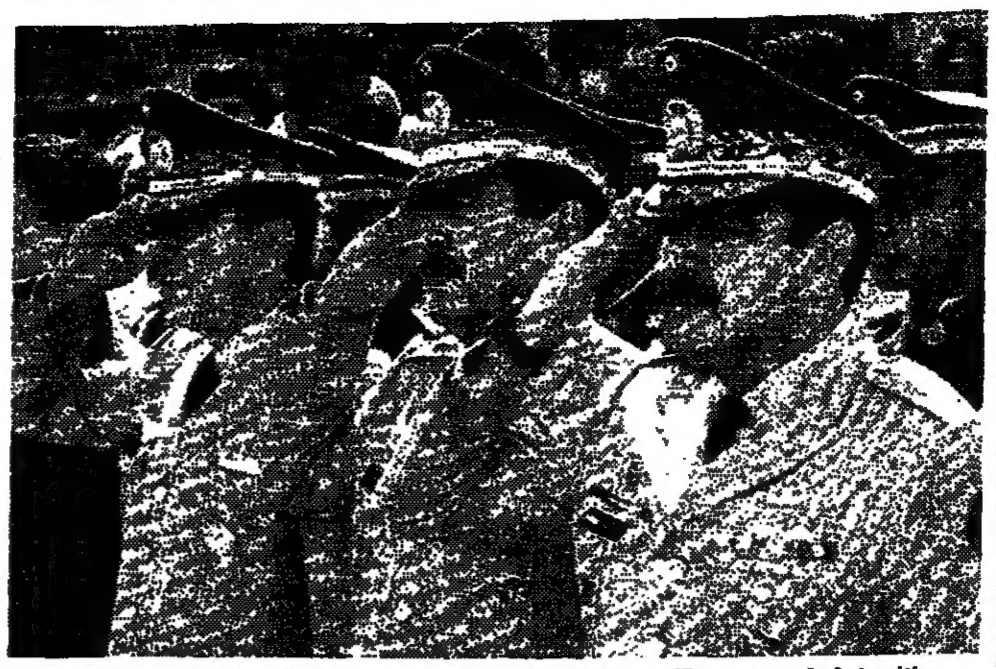
They also accuse leaders of the rebel Farabundo Marti National Liberation Front of killing and kidnapping civilians, mayors of cities under government control, dissidents in the rebel movement, judges and US military personnel.

The commission urged that those named in the report be barred from public office for 10 years, and be prohibited from ever holding military or security responsibility. It called for a special investigation into the death squads that killed tens of thousands of Salvadorans in the 1980s, believing that they continue to be a "potential menace".

According to the commission Gen Ponce, Gen Juan Orlando Zepeda, deputy defence minister, and Gen Juan Rafael Bustillo, former air force commander, met on the eve of the murder of the six Jesuits, their housekeeper and her daughter and ordered Colonel Guillermo Benavides to have them killed "without any witnesses". Col Benavides was convicted of the Jesuits' murder, and is serving a 30-year prison sentence.

At a ceremony in New York to release the report, Mr Boutros Boutros Ghali, the UN secretary general, appeared to offer some support to Mr Cristiani's amnesty proposal.

Observing that the country had made great strides, but that peace-building was far from over, Mr Boutros Ghali said Mr Cristiani deserved the international community's encouragements in his efforts.



Former defence chief Rene Emilio Ponce (right) is among military officers accused of atrocities

Winter storms kill over 100 in eastern US

By Nikki Tait in New York and Laurie Morse in Chicago

BUSINESSES, commuters and home-owners along the eastern US seaboard struggled to return to normality yesterday after a winter storm left a trail of devastation in its wake and cost up to 115 lives.

In Florida, hard-hit by Hurricane Andrew last August, the storm system spawned about 50 tornadoes; in the New Jersey, Connecticut and New York state region around 300,000 homes were left without electricity and snow accumulations of up to 17 inches were recorded.

In New York hundreds of motorists spent yesterday morning digging parked cars out from mountainous snowdrifts, many created by the weekend's snow-ploughs.

East Coast airports were crowded with people trying to get away after being stranded through the weekend, when the nation's air transport system suffered one of its worst-ever disruptions.

Major motorways were reopening yesterday, but many smaller roads remained blocked, with some travellers still snowbound.

Early estimates put the insurance costs from the storm at hundreds of millions of dollars, although insurance companies said that it was too soon to attach a precise number to the claims.

"We just don't know at this stage," said Allstate, the large Illinois-based insurer. The American Insurance Association, whose property-claims division provides industry-wide estimates of catastrophe losses, also said it was only just beginning to receive reports from member firms.

Mr John Snyder, senior vice-president at AM Best, the specialist rating agency, suggested that the storm which hit the East Coast in December might have been more damaging than last weekend's blizzard. The December storm resulted in more widespread flooding and coastal damage, and resulted in around $650m of insured claims.

The latest disaster comes after a run of heavy catastrophe losses for big US property-casualty insurers and will exasperate the financial pressures on the industry. The bomb blast under New York's World Trade Centre complex this month is estimated to have caused over $1bn in insured damages, while Hurricane Andrew produced a record-breaking $16bn-worth of claims.

In Florida, high winds battered grapefruit and orange crops, and frosts on Sunday and yesterday caused scattered damage to the fragile flowers that form next year's harvest, according to Mr Bobby McKown, of Florida Citrus Mutual, the state's largest growers' organisation. The damage was "minor" in comparison to storms and freezes that devastated Florida citrus in the 1980s, he said.

Storms lift sugar price, Commodities Page

New York Post files for protection

By Karen Zagor in New York

THE New York Post yesterday filed for bankruptcy protection and failed to publish amid a newsroom mutiny.

The seemingly indestructible tabloid has bounced back from the verge of death several times in recent years, but the latest crisis may prove fatal. It was triggered by a staff revolt following plans to sack about 270 people by the Post's latest potential publisher, Mr Abe Hirschfeld.

On Friday, a bankruptcy court judge ruled that property investor Mr Hirschfeld could acquire the paper. He immediately ordered dismissal of the editor and threatened to fire about a third of its staff.

Although the paper's current owner, property developer Mr Peter Kalikow, filed for protection from creditors in 1991, the paper was not part of his bankruptcy petition. Mr Kalikow continued to run the paper until January, when bank pressure forced him to put it up for sale. The Post lost about $5m last year.

Brazil to resume state sell-offs

By Christina Lamb in Rio de Janeiro

SELL-OFF dates and minimum prices for two state companies have been announced by Brazil's President Itamar Franco in a clear sign that the privatisation programme is to resume after a four-month delay.

Poliolefinas, a petrochemicals company, will be auctioned on Friday at the minimum price of $86.1m (£60.6m). The sale of the National Steel Company has been scheduled for April 2 with a minimum price of $1.6bn, despite complaints by its president that it has been undervalued.

The decision to go ahead with the sales represents a policy turnaround for Mr Franco, who suspended the programme in December after making frequent criticisms.

Only two weeks ago Mr Antonio Barros de Castro, who as head of the National Development Bank was responsible for the programme, resigned, accusing the president of deliberately blocking the process.

Last week Mr Eliseu Resende, the new finance minister, announced a "deepening and acceleration" of the programme as one of his central policies. Ministry officials are even discussing with Mr Franco the sale of assets such as Vale do Rio Doce, the state mining company, and Telebras, the telecommunications company.

Mr Franco's change of heart was apparently motivated by the discovery of the privileges and high salaries enjoyed by the state sector and the considerable costs to the government. This year the state sector will cost Brazil an estimated $19bn and pay back a maximum of $10bn in taxes.

Mr Fernando Antonio Habda, a member of the economic policy team, said: "The President wants to boost government credibility and raise money for social programmes and buying back debt. He now realises that the only option is privatisation."

It is not yet clear what rules will govern the forthcoming sales to meet Mr Franco's concerns over issues such as the currency used in the auctions. Only 1 per cent of the $4bn raised in sell-offs by the former government was in cash, the rest mainly consisting of domestic debt swapped at par.

Canada's Tories look to new generation for leader

By Bernard Simon in Toronto

CANADA'S governing Conservatives, seeking to reinvigorate themselves before this year's general election, are shedding almost an entire generation of political veterans.

Since Prime Minister Brian Mulroney announced on February 24 he was resigning as party leader, a string of senior cabinet ministers have declined to enter the race to succeed him.

Several have also said they will retire from politics at the election, expected in September or October. The rash of departures is partly a recognition by the old guard that the Progressive Conservative party needs fresh faces at the top if it is to overcome deep voter hostility. They also reflect the commanding lead built up by Ms Kim Campbell, defence minister.

The latest Mulroney veterans to pull out of contention for the leadership are Mrs Barbara McDougall (external affairs), who is quitting politics, and Mr Bernard Valcourt (employment and immigration).

Other ministers who have dropped out of the race include Mr Don Mazankowski (deputy prime minister and finance), Mr Michael Wilson (trade and industry), and Mr Benoit Bouchard (health).

Mr Joe Clark, prime minister briefly in 1979-80 and who most recently spearheaded efforts to draw up a new constitution, also plans to leave politics.

Mr Mulroney's successor will be chosen at a convention in Ottawa on June 13. Senior party officials, including Mr Mulroney, are quietly encouraging members of the Tory caucus to throw their names into the ring, partly to generate public interest and partly to deflect unremitting scrutiny of Ms Campbell.

So far, only Mr Patrick Boyer, a respected but little-known backbencher, has formally announced his candidacy.

Two youthful cabinet ministers, Mr Perrin Beatty, who holds the communications portfolio, and Mr Jean Charest, the environment minister, are still expected to enter the race.

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But here are some facts. In 1991, IBM® shipped more mainframe capacity than in any year in our history. In 1992, our base of installed mainframe power grew by 10%, and the business was profitable.

Yes, there is rapid change in computer technology, but rumors of the mainframe's death are exaggerated. Mainframes have a long future because 1) they do certain jobs far better than anything else and 2) they're changing fast themselves.

One issue surrounding mainframes is their cost. It's often compared using dollars per MIPS[1] with the cost of microprocessor systems, and on that basis mainframes lose. But as any computer professional will tell you, dollars per MIPS alone is a superficial measurement. You wouldn't buy an information system on MIPS cost alone, any more than you'd buy a car using dollars per pound.

The real issue is function. Today's appetite for information demands serious network and systems management, around-the-clock availability, efficient mass storage and genuine data security. MIPS alone provides none of these, but IBM mainframes have them built in, and more fully developed than anything available on microprocessors.[2]

Another issue is client/server computing. Smaller systems call it their turf, but for big jobs what's the ultimate server? It's a mainframe. Large client/server systems can be complicated, like a machine with thousands of small moving parts. But a mainframe (one powerful moving part) can simplify things, improve performance and reduce cost. Which is why the University of Miami relies on mainframes in client/server networks spanning the Americas, and why client/server is a development priority at IBM. We've just announced major client/server enhancements for large systems.

We're moving fast in open systems, *too.* New support for open standards[3] means our ES/9000™ mainframes will not only cooperate with other systems (as they have for years), they'll now run software that was written for other systems.

And these changes are only a beginning. We've just delivered new ES/9000s, which Caterpillar Inc. reports provide new cost savings and flexibility. We've also announced a new parallel processing supercomputer,[4] and tailored parallel systems for commercial use are coming soon. Clearly, IBM still stands behind the value of large systems, but neither we nor they are standing still.

In fact, we stand behind all kinds of systems, because what every customer needs is choice—on the desktop and beyond. So call us.

There's never been a better time to do business with IBM.

One in a series from IBM.

1. MIPS=millions of instructions per second. 2. A study of companies that began downsizing five years ago shows big differences between projected savings and reality. In some cases, getting downsized systems to approach mainframe function actually increased overall costs. Source: International Technology Group, Los Altos, CA. 3. POSIX, OSF/DCE and TCP/IP. 4. The IBM Scalable POWERparallel Systems, which is a trademark of the IBM Corporation.

Call for rapid Chinese reform revives fears of over-heating

By Tony Walker in Beijing

MR LI PENG, China's prime minister, yesterday demanded even quicker reform of the Chinese economy, which grew by almost 13 per cent last year, prompting concerns about the danger of overheating.

Speaking at the opening session of the National People's Congress, China's parliament, Mr Li outlined a sweeping programme of economic change aimed at strengthening market reforms and re-structuring the country's bloated state sector.

But in a clear reference to concerns about bottlenecks in the economy due to extremely rapid growth in the past year, he also urged that a "basic balance" be struck between supply and demand.

China's economic planners fear renewed inflationary pressures such as those that undermined reforms in the 1980s. Indications of pressure on prices have already begun appearing in urban centres where double-digit inflation is being recorded.

Mr Li's remarks about the economy, which accounted for about one-fifth of a two-hour speech, amounted to a careful endorsement of reforms initiated by Mr Deng Xiaoping, China's supreme leader, who was not present at the NPC, even though he is a delegate.

Mr Li has tended to be identified with conservatives who have not shown boundless enthusiasm for Mr Deng's market-oriented reforms.

Mr Li also said that:

- The economy, which surged 12.8 per cent last year, would continue to grow at 8 or 9 per cent annually, for the rest of the 1991-95 five-year plan. Growth had averaged 7.9 per cent for the past five years.
- Continued growth of 8 per cent to 9 per cent would ensure that China achieved well ahead of schedule its target of quadrupling Gross National Product between 1980 and the year 2000.
- China planned to slash its giant bureaucracy by about 25 per cent, and sharply reduce the number of government departments. Little detail was provided as to how this would be achieved.
- China would give particular attention in the next five years to strengthening infrastructure, service industries and agriculture.

Mr Li, a cautious 64-year-old Soviet-trained technocrat who seems certain to be endorsed for another five-year term as premier, was unrepentant about the 1989 Tiananmen massacre in which hundreds of pro-democracy activists were shot by soldiers called in to quell the protests in and around the city's central square.

"Domestically, in late spring and early summer of 1989, a counter-revolutionary rebellion caused turmoil in Beijing," he declared, adding that China had overcome "numerous difficulties" in maintaining social and political stability and promoting economic and social development.

"Our great socialist motherland will stand firm as a rock in the east forever," said Mr Li who is blamed by many Chinese for ordering the bloody crackdown on the pro-democracy protesters.

China's NPC will run for about two weeks and, apart from endorsing revised economic growth targets, will also approve the election of new leadership personnel, including the appointment of a president or head of state – a post expected to be filled by party boss, Mr Jiang Zeming.

Prime Minister Li Peng, President Yang Shankun and National Peoples Congress Chairman Wan Li

Keating puts off poll on republic

By Kevin Brown in Sydney

AUSTRALIA'S re-elected Labor prime minister, Mr Paul Keating, yesterday ruled out a referendum on the abolition of the monarchy until after the next election, due in mid-1996.

Mr Keating said Labor remained convinced that Australians would not be "masters of our own destiny" until the 205-year-old link with the British crown had been broken.

However, constitutional change would require a long period of public debate and negotiations with state governments, which would inevitably take several years.

Mr Keating hoped the process could be completed by 2001, the centenary of the federation of the continent's six British colonies, which many Australians regard as the foundation of modern Australia.

The prime minister's comments are in line with Labor's 12-year-old commitment to gradual progress towards the abolition of the monarchy, which was confirmed by the party's policymaking conference in 1991.

Mr Keating announced last month that Labor would appoint a committee to draw up plans for the transition to a republic, but the party did not seek to make the future of the monarchy an election issue.

Confirmation of the timetable for constitutional change will disappoint the republican movement, which gained strength last year after British criticism of Mr Keating's handling of a visit by the Queen.

Republicans will also criticise Mr Keating for backing down on a promise to remove the British union flag from the Australian flag. The prime minister said a change of flag would have to await the establishment of the republic.

In his first post-election press conference, Mr Keating moved to patch up relations with Britain. He said Mr John Major, the British prime minister, had congratulated him on Labor's election victory.

Vietnam Communist party sees writing on the wall

Observers believe the country will have to abandon Marxism-Leninism in a few years, writes **Victor Mallet**

THE STATUE of Lenin still stands tall in central Hanoi. A few blocks away you can go jogging around the lake in what is still called Lenin Park, or sit on a bench and read stories in the Vietnamese Communist Party newspaper about fraternal visits by fellow-communists from neighbouring Laos.

Political scientists have noted with surprise how third world communist regimes, such as the one in Vietnam, have survived the collapse of their erstwhile patrons in the Soviet Union and eastern Europe.

Beneath the surface, however, Vietnamese politics is undergoing a change so profound that Vietnamese and foreign observers believe the ruling party will be obliged to abandon Marxism-Leninism, transform itself into a broad-based "nationalist" front, and perhaps even permit opposition parties – all within a few years.

Party leaders, under Mr Do Muoi, their 76-year-old general secretary, nowadays barely mention communism or socialism in their speeches. The 2m-strong party, undermined by the collapse of international communism, finds it hard to recruit new members or to persuade existing members to attend meetings.

Since the late 1980s, Vietnam has in any case vigorously pursued a policy of *doi moi* or "renovation", a code word for replacing socialist economics with capitalism, foreign investment and the tenets of the free market.

"When the Communist Party declared its acceptance of the free market economy, it meant that this party is not truly a communist party; they have dropped the communist system," says Mr Phan Dinh Dieu, a mathematician in Hanoi whose views are tolerated by the party and who is regarded by foreign diplomats as a sort of licensed dissident. "The result is that the party is transformed from a communist party into a party of power."

Although it is widely accepted that few Vietnamese, even party members, still believe in communist ideology, the party has tried to smooth the way for traditionalists by suggesting lamely that sharp changes of direction can be explained by the addition of the thoughts of Ho Chi Minh (the communist father of Vietnamese independence in the 20th century) to the policy of standard Marxism.

"Our slogan is: 'Let the people become rich'," says Mr Tran Kien, deputy editor of the orthodox party newspaper Nhan Dan (The People). "Now we carry out the market economy but regulated by socialism. It means we don't give up Marxism-Leninism but continue to carry out this ideology including Ho Chi Minh's teachings."

The crucial question for Vietnam is whether the ruling party can manage a peaceful transformation of the political system by steering a path between resentful communist hard-liners and Vietnamese liberals – especially those living in the US – who demand the rapid creation of a multi-party democracy.

Vietnam's economic performance is certainly helping the transition. Revised figures for gross national product show the economy grew by a 8.3 per cent last year, and the country's 70m inhabitants, although still desperately poor, are becoming visibly more prosperous.

Vietnamese officials say that Russia and other eastern European states made grave errors by implementing democratisation before economic reform, a mistake which they believe led to anarchy and a consequent inability to pursue any economic reform at all: it is hard to find diplomats in Hanoi who disagree with that analysis.

The flexibility of the Vietnamese Communist party, its genuine nationalist credentials (in contrast to some of the Moscow-installed parties of eastern Europe) and the absence of any organised opposition to the cautious liberalisation it is pursuing, also work in favour of peaceful political development. To counter the threat of opposition from Buddhist monks, the party is even said to have spread rumours that Mr Muoi is secretly a Buddhist himself and has been seen in a pagoda.

"They [the Communist party] know it's over, and they are even discussing among themselves the possibility of changing the name," says one Ho Chi Minh City businessman who used to work for the US-backed South Vietnam government before the communist victory in 1975.

"They know and the people know it's over, but the idea of a collapse scares people. They are afraid of bloodshed and chaos, so even the most anti-communist people want slow change."

But the party's attempts to manage a peaceful transition to a post-communist system will probably not go unchallenged. Unemployment, estimated at about 3.5m in urban areas, and widespread corruption in national and local government are both breeding resentment. Already Vietnamese who must now pay school fees can be heard complaining that the good aspects of communism – free education, for example – are being thrown out with the bad.

Party spokesmen are evasive when asked about the future, pointing to the fact that the 1992 constitution enshrines the party as "the force leading the state and society", and falling back on the official policy of "democratisation within the one-party system".

Others are more forthright about the imminent demise of the dictatorship of the single party. Mr Dieu, the free-talking mathematician, believes that the possibility of alternative political parties could arise in as little as two or three years. A diplomat in Hanoi says bluntly: "In five years the [Communist] party will be nationalist or social democrat."

A member of the party, a retired senior civil servant, explains how the party allowed a discussion on political pluralism a year ago. "Now it's finished; it was decided that it was not a good idea for Vietnam," he says. "But it's not forgotten."

UN to enter uncharted territory in Somalia

Multinational force will have to impose law and order in a political vacuum, writes Leslie Crawford

UNITED NATIONS troops preparing to take over command from the departing US Marines in Somalia in May face a near-impossible task.

With most of the country still at the mercy of warring clans and armed bandits, the 28,000-strong multinational force will be required to impose law and order in a political vacuum.

This is uncharted territory for the UN. The mandate of the new operation, code-named Unosom II, will have to go beyond the first small 400-strong task force, sent to monitor a non-existent ceasefire in Mogadishu, and even beyond the US-led military intervention in December, which secured a short breathing space for aid agencies to reach starving Somalis outside the capital.

Commanders of Unosom II are pressing to be given active rules of engagement to disarm warlords and bandits, who continue to loot and pillage with impunity. However, they are aware that military intervention is not a panacea for the inability of Somalis to start the painful process of national reconciliation after the traumas of dictatorship and a two-year civil war.

"If you pulled out the foreign troops and tanks, this place would fall apart," says Gen Imtiaz Shaheen, the departing commander of Unosom I. "Unless the Somalis begin to address their political and social problems, UN intervention will lead to a new form of colonisation."

The absence of a Somali government has already created a de facto administration run by the UN and US task forces and the international aid agencies. A "cabinet" meets every morning at 8am at the fortified Unosom compound in Mogadishu to discuss the security situation and plan relief work.

The collapse of the economy has also transformed the aid agencies into the country's main employers and benefactors. The UN's World Food Programme estimates that more than 2m Somalis, one third of the population, are dependent on relief agencies for food, water, health care, seeds for planting, and agricultural tools.

And while the presence of the US-led joint task force afforded military protection for immediate famine relief work, it has also created a new security problem for aid agencies. They have become soft targets for bandits who used to be employed in the protection racket business before the US Marines put an end to this lucrative source of income.

"Before the US Marines landed," says Mr Rhodri Wynn-Pope, relief co-ordinator for southern Somalia with the international agency Care, "we were being absolutely ripped off". Care was paying $150,000 (£106,000) a month to security gangs to guard its food stocks at the port.

An angry Somali woman berates a policeman yesterday after waiting hours to be told the food supply is exhausted

Other "contractors" had to be paid to guard food convoys, to negotiate road blocks, and to prevent food from being looted at its destination.

Military intervention broke the cycle of extortion, but created an underworld of armed thieves who have murdered three foreign aid workers in the past two months.

"We feel less secure now," says Mr Ian MacLeod at Unicef. "Aid agencies were not targets last year." Aid workers, he explains, cannot venture outside their compounds without armed escorts. All agencies have imposed a 6pm curfew.

Aid agencies believe that Unosom II's mandate is doomed unless it tackles the problem of disarmament and rehabilitation simultaneously. "The banditry and lawlessness in Somalia is a social problem," says Mr Wynn-Pope. "Warlords can talk their men back to the barracks, but bandits need to be given productive jobs to give up their guns."

With Somalia's famine emergency over, the UN and aid agencies are beginning to concentrate on the daunting task of resettling almost 2.5m Somalis displaced by the civil war. Of these, 1m people are sitting in refugee camps outside Somalia. Neither the military nor the humanitarian agencies of the UN have ever undertaken a logistical task of this size.

Relief agencies, critical of the UN's performance in Somalia before the arrival of the US-led task force, fear that the country will slide back into anarchy with the pull-out of US troops.

"The US armed forces have a cohesive administrative and logistical command chain that the UN finds difficult to match," says Mr Wynn-Pope, himself a former British army officer. "US troops were seen as the tough guys with big guns, whereas the UN has little credibility with the Somalis."

Mr Jamie McGoldrick, deputy field director of Save the Children Fund UK, goes further: "The UN does not understand the scale or the complexity of the Somali problem. They think it is a six-month job, whereas it may take 10 to 15 years to restore peace to Somalia."

Mongols study a Japanese model

By Robert Thomson in Tokyo

HAVING emerged from seven decades of communism, Mongolia has sent a group of parliamentarians to Tokyo to study whether the scandal-prone Japanese political system should be copied by a country whose voters are mostly nomadic herders.

The timing of the Mongolians' study tour has let its 10 members witness the indictment for tax evasion of Mr Shin Kanemaru, fallen from grace as the all-powerful fixer of Japanese politics and now in a Tokyo detention centre.

Mr Kanemaru's plight and the durability of the ruling Liberal Democratic party have fascinated officials from the Mongolian People's Revolutionary party, which recently renounced its communist past and likes to see itself as Mongolia's LDP. Playing to a pastoral audience during a recent election campaign, the MPRP promised "104 calves for every 100 cows".

"We are very interested in the contradictions that created such widespread corruption," said Mr Batsuuri, the party secretary. "We are also very interested in the cleansing process that allows the Japanese political machine to go on working."

Mongolian officials have taken note of the US political system and are interested in British and German traditions of democracy, but Mr Batsuuri said that Japan holds special appeal because it is an economic and democratic success story in an Asian setting.

The Revolutionary party describes itself as a "social democratic" party and is one of "nine or ten parties" in Mongolia: the number has fluctuated with short-lived coalitions and even shorter-lived parties sprouting each month since the country's democratisation began three years ago.

Mr Hulan, international secretary of the Mongolian National Democratic party, the largest opposition group in the Great Khural, the Mongolian parliament, said the delegation wants to examine privatisation methods and the Japanese tax system. The interest in tax has more to do with sliding scales than the alleged evasion of Mr Kanemaru. "We have found Japanese politicians and bureaucrats to be very open about their problems," Mr Hulan said.

The Mongolians are intrigued by the LDP's factions but amused that their disputes have nothing much to do with ideology. According to Mr Batsuuri, the Revolutionary party has factions but they have "an ideological base" whereas, in Japan, "factions are more tied to political personalities".

Mr Batsuuri said that the Japanese experience does show the advantage of "consensus-style politics". The English word "consensus" has recently entered the Mongolian vocabulary, as there was not much need for the concept after the country's communist revolution in 1921.

Peace cost put at $1.55bn

By Michael Littlejohns, UN Correspondent, in New York

THE peacekeeping operation in Somalia that the United Nations is proposing to begin on May 1, replacing most of the US troops there, will cost $1.55bn (£1.1bn) in the initial 12-month period, according to an estimate given to the Security Council yesterday.

This is more than the official estimate of $1.41bn for Cambodia, now the most expensive such UN enterprise. However, the final Cambodian bill is expected to be nearer $2bn.

Mr Boutros Boutros Ghali, the UN secretary general, based the figures for Somalia on a military force of 20,000 with 8,000 additional logistical support staff, plus about 2,800 civilian personnel.

In his report he proposed that the General Assembly, which would have to approve the budget, declares this to be an expense of the entire organisation shared by all 180 member states, with the US the biggest contributor.

The cost of the military component of the operation was placed at $836m, with an additional $180m for air operations.

It would bring UN peacekeeping expenses for 13 operations this year to a total of $4.205bn, about four times the regular budget.

● Somalia's feuding factions, clan elders, and religious leaders began yesterday what has been billed as a "last chance" to salvage their wrecked nation, Reuter adds from Addis Ababa.

NEWS IN BRIEF

Iranian jets 'bomb Kurdish hospital'

THE WIFE of French president François Mitterrand, Mrs Danielle Mitterrand, said yesterday at least six Kurdish civilians were killed and many hurt when Iranian aircraft bombed a French-run hospital on the Iran-Iraq border at the weekend, Reuter reports from Paris.

Mrs Mitterrand, head of the privately-funded human rights group France-Libertés, added that searches were under way for more bodies in the debris of the hospital at Raniya after air raids on Saturday and Sunday.

She said the hospital was on Iraqi soil, in an area controlled by the rebel Democratic Party of Iranian Kurdistan (PDKI) and inside the Western allies' air exclusion zone set up to protect Iraqi Kurds.

Saudi Arabia holds Islamic leader

Saudi Arabia has arrested the head of a radical Islamic group and three of his aides while they were in the kingdom on a Moslem pilgrimage, according to an Islamic Jihad official, Reuter reports from Amman.

Sheikh As'ad Bayyud al-Tamimi, leader of Islamic Jihad (Jerusalem), said Saudi security agents seized Mr Fayez al-Asswad, the leader of another Islamic Jihad splinter group called the Islamic Jihad Movement for the Liberation of Palestine (al-Aqsa Battalions), and three of his aides in Jeddah last week.

ANC calls for jail deaths probe

The African National Congress called yesterday for an immediate investigation into the deaths of detainees in South African police custody after another suspect was found dead, the ninth this year, Reuter reports from Johannesburg.

The suspected robber was found dead in a cell on Sunday after being arrested following a beating by security guards at a shopping centre near Johannesburg, police said.

India PM accused of cover-up

India's parliamentary opposition party, the Hindu nationalist Bharatiya Janata Party (BJP), yesterday accused Mr P.V. Narasimha Rao, prime minister, of a cover-up over a spate of bomb blasts in Bombay which killed 250 people and demanded his resignation, Reuter reports from New Delhi.

Olympic rings up for grabs from business

By Gillian Tett

THE OLYMPIC rings symbol is to come under the exclusive control of the British Olympic Association in the UK, Mr Peter Brooke, heritage secretary announced today.

Under legislation, expected to be passed by parliament soon, the association will have sole rights to sell the logo to promoters. Until now, its use has been unregulated, and a number of businesses have adopted versions.

Mr Brooke said the move reiterated the government's support for the bid by Manchester, north-west England, to host the Olympics in 2000. The International Olympic Committee requires countries hosting the games to provide a copyright guarantee for the symbol.

The association hopes to raise at least £2.5m from the sale of rights to the logo to sponsors. Companies wishing to use the symbol will have to pay "at least a six figure sum" to become official sponsors and companies which breach the copyright will be prosecuted.

Sharp rise in factory output boosts recovery hopes

By Peter Marsh and Alison Smith

A SHARP RISE in manufacturing production has provided a favourable background for today's Budget by adding to expectations about a UK recovery.

Manufacturing production rose a seasonally adjusted 0.8 per cent in January compared with the previous month, well above expectations in the City.

News that manufacturing output was the highest since August 1991 coincided with growing speculation that Mr Norman Lamont, chancellor of the exchequer, will seize the opportunity in his Budget speech to raise taxes from 1993-94 to curb the growing fiscal deficit.

Pressure on Mr Lamont to take bold action on this front increased last night after Lord Lawson, the former Tory chancellor, said failure to raise taxes by £6bn would be a "serious mistake".

At a conference in London, Lord Lawson said a tax rise of this magnitude "could prove a political and economic turning point that is so badly needed". Also, in a surprising departure from his previous enthusiasm for the European exchange rate mechanism, Lord Lawson said it was "only a matter of time" before the ERM broke down after the pressures of German unification and the drive towards a single currency had robbed the system of its flexibility.

Further indications that the economy may be turning came yesterday with a survey by Trade Indemnity, credit insurers, showing that exporters have increased their order books in the past three months, taking advantage of the 15 per cent devaluation in sterling since the UK left the ERM in September.

The Ombudsman for Corporate Estate Agents, an industry-appointed body, provided further evidence of a revival in the UK housing market by reporting a strong rise in house sales last month.

In recent weeks Mr Lamont has been advised by many in the City and by his own backbenchers that he should head off – through a tough tax increase – the possibility of Britain moving towards Italian-style budget deficits. According to this argument, the more favourable signals about the economy in recent weeks mean the risk of stifling an upturn by a fiscal tightening has been greatly reduced.

Yesterday's release of the manufacturing figures was accompanied by a warning from the Central Statistical Office that the monthly data may have been distorted by the timing of the Christmas holidays. Even so, in the three months to the end of January, manufacturing output rose by 0.7 per cent compared with the same period a year previously. That was the biggest year-on-year increase on a three-monthly basis since mid-1990.

All production industries – including energy, water and manufacturing – showed a 0.4 per cent drop in output between December last year and January.

Output of oil and gas fell 6 per cent between the two months, largely because of operating difficulties in the North Sea due to high winds.

MAASTRICHT

Major aims to ratify treaty by end of July

By Philip Stephens, Political Editor

MR JOHN MAJOR is sticking to his target of ratification of the Maastricht Treaty by the end of July despite last week's defeat in the House of Commons.

Amid signs yesterday that some "soft" Tory Euro-sceptics were reconsidering their opposition to the government, senior ministers said that the proposed timetable for the legislation still allowed for ratification before the summer recess.

The prime minister has told close associates that he is determined if possible that Maastricht should not be allowed to wreck October's Conservative party conference for the second year in succession.

To avoid a damaging confrontation similar to that in 1992 the bill would have had to have passed all the remaining hurdles – including the House of Lords – before Westminster closes for the summer break at the end of July.

Ministers acknowledged that the government still faced possible defeat on a number of opposition amendments.

There also remains a risk that the legislation will be derailed if opposition parties are successful in pressing new amendments to remove Britain's opt-out from the social chapter.

But barring a dramatic setback on the social chapter, the plans now pencilled in by the government assume that the present committee stage of the legislation will be completed before the second Danish referendum on May 18th.

That timetable is based on the fact that six groups of amendments to the legislation have still to be discussed in the committee stage.

Each of those could be expected to take one or at most two days on the floor of the Commons.

With the government allocating two days a week to the legislation, that implies a further five or six weeks in committee.

Allowing for intervals necessitated by the Budget debate this week and for a two-week Easter recess, the committee stage would then be wound up in mid-May.

Ministers are increasingly optimistic that the report stage for the legislation – necessitated by the passage of opposition amendments – will be relatively short. That would provide for the final third reading debate by MPs on the legislation to take place at the end of May or early in June. That in turn would give the House of Lords at least a month to debate the treaty.

The government acknowledges that a hard core of between 30 and 40 Tory opponents of the treaty will continue to harry the legislation at every opportunity.

But a public announcement yesterday by Mr George Walden, the former minister, that he would drop his opposition was seen as a signal that some Tory MPs who have previously abstained are now willing to support the bill.

Britain in brief

Quarter of EC rivers substandard

A quarter of Europe's rivers fall below European Community environmental standards, the European Commission said, as it announced a wide-ranging review this year of all its directives on water quality.

Mr Tom Garvey, deputy director general of the Commission's environment directorate, told an FT conference in London that some EC standards might be modified or dropped in the light of new scientific evidence, adding that he was disappointed at the lack of improvement in EC water quality in the past 20 years.

Boyd finds pit is viable

British Coal faces severe difficulties in closing its Grimethorpe colliery, one of 10 pits where production has ended, after an independent consultant rejected its argument that the mine is financially unviable. The support for Grimethorpe by John T Boyd, a US consultant appointed by the government, will add to British Coal's problems when it returns to the High Court, probably next month, to put its case for the closures.

Swiftcall wins calls licence

A company selling international calls from Britain to Canada and the USA at substantial discounts from standard British Telecom tariffs has begun operations.

Swiftcall, based in east London, is one of the first companies to gain an International Simple Resale (ISR) license from the department of trade and industry.

The DTI has so far authorised only Australia, Canada, and Sweden for simple resale competition because it believes no other countries have a sufficiently open regulatory regime.

Scots growth forecast in 1993

The Scottish economy is forecast to resume growing in 1993 after declining in 1992. Mackay Consultants, a firm of economic consultants, believe that Scotland will benefit from the devaluation of the pound because its industries are more oriented towards exporting than the UK average.

Hunt for new tourist chief

The government has turned to headhunters Tyzack Accord to find a chairman of the British Tourist Authority after failing to attract a suitable candidate to replace Mr William Davis, who leaves at the end of this month. Tyzack has also been asked to find a new chief executive for the BTA to replace Mr Michael Medlicott who is to become European vice president of Delta Air Lines, the US carrier, next month.

Pubs lobby for lottery option

The Brewers' Society is to press the government to allow the country's 65,000 pubs to sell national lottery tickets. Ministers have indicated that pubs would be excluded to distance the lottery from harder forms of gambling and to avoid the risk of reducing charity collections. Mr Robin Simpson, Brewers' Society director, said: "There is no hard gambling in pubs and there is no evidence that charitable giving would suffer if tickets were sold in pubs. In many places, especially rural areas, the pub is the community centre and sometimes the only retail outlet."

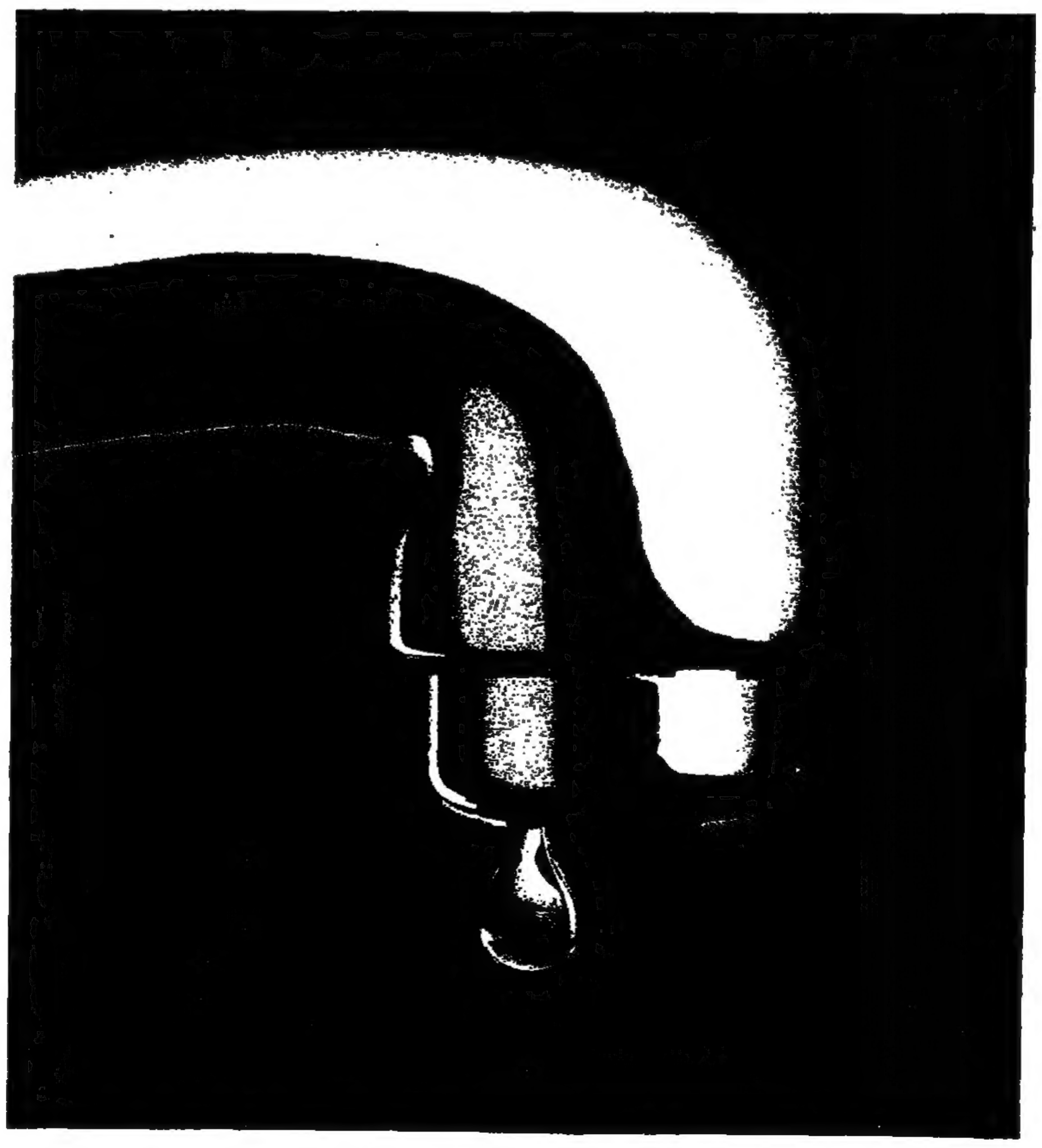
Private dinner on Birt's fate

Governors of the BBC are expected to meet at a private dinner in London tonight to try to find a solution to the bitter row over Mr John Birt before Thursday's formal board meeting.

It will be the first time the governors have met since the revelation that Mr Birt was for six years a freelance consul-

tant rather than a staff member of the BBC, despite being deputy director general, and was paid via his private company, John Birt Productions.

The dinner will raise echoes of the one held two years ago when Mr Marmaduke Hussey, BBC chairman pictured above, pushed through the controversial decision to nominate Mr Birt as director general designate rather than advertise the post.



Government backs down on EC job laws

By John Willman, Public Policy Editor

THE GOVERNMENT has conceded defeat in a court case over the contracting-out of public services, following legal advice on the relevance of European Commission legislation that protects the terms and conditions of staff when jobs are transferred from the public to the private sector.

The court case concerned a decision by the health authority in South Glamorgan, Wales, to contract out the canteens of three hospitals in Cardiff. The health service union CoHSE applied for a judicial review over the failure of the authority to apply the Transfer of Undertakings (Protection of Employment) regulations 1981, which implement the EC legislation in the UK.

The case was due to be heard next week, but has now been halted after the government received legal advice that the Tupe regulations applied. Government lawyers are negotiating with CoHSE over the costs and other details.

The decision comes after a union campaign against contracting-out. They say contracting-out has led to job cuts and inferior employment terms in the past.

But the government's move has angered contractors which believe that the government will find further progress on contracting-out difficult.

Confusion over the legislation has already delayed the government's market-testing programme under which almost £1.5bn of public sector work has been transferred to the private sector.

"The government has effectively thrown in the towel," said Mr Cliff Davis-Coleman of Clause 26, a contractors' pressure group. "This will provide a green light for Tupe to apply in all public sector contracts. It makes a nonsense of the government's entire market-testing programme."

Ministers accept that most contracting-out will be covered by Tupe after failed attempts to persuade the EC to amend the laws.

Mr Padraig Flynn, the EC Commissioner for Social Affairs, said on BBC-TV's On The Record last Sunday that there was no general wish to amend the legislation. "It must be remembered at all times that we are concerned about the protection of workers and their rights," he said.

Government ministers believe the decision could make it harder for existing staff to bid for their work if it is affected by contracting-out. If the jobs, pay and conditions of staff are protected, there would be no need to invite an in-house bid for the contract, they say.

● Notices of dismissal issued to 180 computing and financial services employees in four London boroughs were rescinded yesterday after it was accepted that the Tupe regulations applied.

Call on UK government to simplify equality laws

By Diane Summers, Labour Staff

THE EQUAL Opportunities Commission yesterday urged the government to simplify "grotesquely complex" equal pay laws.

The call follows the settlement of a seven-year case involving five women employed by H&J Quick, a Ford dealer in Manchester, north-west England. They were awarded a total of £15,000 when a tribunal found that their work as administrators and financial clerks was of equal value to that carried out by higher-paid men working as parts salesmen, van drivers and car cleaners. Only one of the women still works for the company.

H&J Quick, which has paid the money, said it "felt it was the right time to settle". It said the law was very complex and a lot of management time had been spent on the issue.

Ms Elizabeth Whitehouse, the opportunities commission lawyer who represented the women, said the government should use the employment bill currently before parliament to simplify the equal pay laws. "The grotesquely complex procedures that have forced these women to battle for seven years before winning their right to equal pay can only be condemned," she said.

The commission wants to see the existing sex discrimination act and equal pay acts replaced with a single equal treatment act. Currently, there are long delays before cases are brought before tribunals.

Upturn predicted for construction equipment

By Andrew Baxter

AN UPTURN is in sight for the construction equipment industry after three consecutive years of "devastating" decline, according to the London-based Corporate Intelligence Group.

Unit sales of construction equipment such as excavators, loaders, and dumptrucks fell 3 per cent last year to 8,910, the group said. Demand was the lowest recorded for more than a decade – sales were still considerably less than the peak of 22,544 units in 1988.

The group said the mood of more than 40 leading equipment distributors and manufacturers interviewed last month was bleak "with an overwhelming resentment against the government for doing so little to relieve the situation".

But, it said, there was a general consensus that the worst was behind the industry. Recovery would be patchy and slow to begin with, but demand should strengthen by mid-1993.

The group said unit sales will rise by 21 per cent in 1993, even if the government does little more to stimulate the economy. It cites a number of factors to support this forecast:

● Interest rates are down to an acceptable level, and end-users can contemplate new purchases with realism.

● Good second-hand equipment is hard to find, with a significant proportion of the stock of used machines having been shipped overseas in the last two years.

● Machines sold at the peak of demand are coming up for renewal. Although they will not be replaced on a one-for-one basis, there will be some comfort for dealers.

The group says demand will probably recover first in the plant-hire sector, resulting in sales increases for backhoe loaders, smaller crawler excavators, mini-excavators and skid-steer loaders. Demand for larger equipment types, such as rigid dump trucks and heavier crawler excavators, will be slower to recover.

Janet Naylor works on the statue of Eros from London's Piccadilly Circus. Eros, a memorial to the 7th Earl of Shaftesbury, the Victorian philanthropist, was taken down last December to repair damage caused by vandals swinging on its leg and will be returned, strengthened, in time for its 100th anniversary on June 29. Westminster City Council has rejected suggestions that the original aluminium statue, created by the English sculptor Sir Alfred Gilbert, should be replaced by a more durable replica. The £30,000 restoration by Naylor Conservation in Telford, Shropshire, should leave the original stronger than before it was damaged

Names win stop-loss claim ruling

By Richard Lapper

MORE THAN 100 Names yesterday won a High Court ruling allowing them to recover directly claims on stop-loss insurance policies – personal reinsurance which covers heavy losses.

Lloyd's unsuccessfully argued that the claims under the policies should first be paid into premium trust funds, which contain premium income earned by Lloyd's underwriters from insurance business.

The ruling could ease the cashflow problems of some loss-making Lloyd's Names, who are among several thousand facing heavy losses at the insurance market. Overall losses over the past five years are expected to eventually amount to more than £5bn.

Mr Justice Tuckey in the Commercial Court ruled that Names – individuals whose assets support the Lloyd's market – are entitled to receive recoveries directly from brokers.

Mr Tuckey held that recoveries were not payable directly to the premium trust funds unless specifically stated in the policy or unless the Name had signed an "irrevocable" letter of authority assigning the money to their premium trust fund. A directive that all stop-loss recoveries must be paid to the trust fund issued last year by Mr David Coleridge, then chairman of Lloyd's, was ruled invalid.

A two-week moratorium on the ruling was agreed so that Lloyd's could consider whether to appeal.

Several hundred fresh job losses expected at Leyland Daf

By Kevin Done, Motor Industry Correspondent

A FURTHER round of jobs cuts at Leyland Daf is expected in coming weeks as the receivers act to cut excess stocks and to bring vehicle output into line with forecast demand.

The next wave of redundancies is expected to involve the loss of several hundred jobs.

The administrative receivers of Leyland Daf, UK subsidiary of Daf, the Dutch commercial vehicle maker which collapsed into receivership six weeks ago, last month cut 1,715 of the company's 5,500 strong UK workforce.

Mr Murdoch McKillop, joint administrative receiver, said yesterday the company was "likely to be trading in receivership for months rather than weeks. We must make sure that the balance between sales and production is correct."

All three Leyland Daf plants were back in production, and the receivers were now studying what levels of output could be sustained in the present market.

The most advanced plan for rescuing the constituent parts of the Leyland Daf operations concerns the proposed management buy-out of the van business based in Birmingham.

"I think there is a good chance that something will happen. They have had encouraging discussions with institutions. I would hope to be able to formalise plans in the next few weeks," said Mr McKillop.

Mr McKillop has held talks in the US with Paccar, the North American truck maker, to explore its interest in the Leyland truck plant, but plans are also being pursued for a management buy-out.

The future of the UK truck operations is complicated by the continuing confusion over its future relations with Daf Trucks, the new Dutch/Belgian company formed to take over the core medium and heavy truck operations of the old Daf group.

The success of a management buy-out or outside acquisition of the Leyland plant appears to hinge on its ability to gain access to Daf Trucks' continental dealer network for sales of its UK-built 45 series light truck range.

Daf Trucks must be "the most obvious candidate" to market the 45 series in continental Europe if it is "able and willing to make a commitment," said Mr McKillop.

Bill Clinton has pledged to make technology a central focus of his administration. **FT writers** look at what the investment really means

Stoking up the engine

"THE GESTALT of the gigabit" is President Bill Clinton's new catchphrase for the high-technology focus of his administration. He has proposed a $17bn (£11.9bn) four-year plan for new and expanded federally-funded technology projects and tax incentives.

Creating new "high-value jobs" is the primary goal of the Clinton technology policy, which the president unveiled during a visit to Silicon Valley last month. He called for the creation of a "public-private sector partnership" that will generate investment in technology development and encourage the formation of high-tech companies.

We want to "generate more of these kinds of companies, more technological advances to keep the US always on the cutting edge of change and to make sure that we'll be able to create a lot of good new jobs in the future," the president told workers at Silicon Graphics, the computer workstation company where he unveiled his technology initiatives.

Almost 40 per cent of the proposed technology budget is in the form of research and development tax credits designed to encourage private-sector investment. Responding to industry demands, the president has proposed the tax credit be made permanent. Over the past few years the tax credit has been enacted each year, but only after it expired, so companies could not count on it when drawing up their R&D budgets.

The president's broader economic plan also includes tax incentives for long-term investment in small companies and some tax relief on capital investments for larger companies. However, the tax cuts will be at least partially offset by an increase in corporate tax rates.

On the spending side, the Clinton technology policy proposes a significant shift in the use of federal funds to back non-defence research. In fiscal 1993, the civilian share of the total federal research and development budget was approximately 41 per cent, or $27.9bn, according to the administration. The president aims to increase this to more than 50 per cent, or $36.6bn by 1998.

In future, the US government will play a direct role in helping companies to develop and profit from innovations rather than funding defence or space missions that serendipitously provide "spin-offs" for the commercial sector.

The flagship of the technology plan is the "information superhighway" scheme; a nationwide *high-speed broadband* communications network linking businesses, schools, libraries, hospitals, government offices and, ultimately, homes.

Another example of "industry-government partnership" in the Clinton technology policy is the advanced manufacturing initiative which will provide matching funds to industry consortia, using Sematech, the US semiconductor industry research group, as a model.

The federal government will also match state and regional funds to *create a national network of "manufacturing* extension centres" that disseminate information on the latest manufacturing technology.

The National Institute of Standards and Technology's advanced technology programme will be significantly expanded to provide matching grants to industry-led research and development projects including consortia such as Sematech. *Funding for Nist* would be increased from $381m in 1993 to $1.2bn in 1997. Other national laboratories will also be drawn into the effort to boost industrial competitiveness.

The Clinton policy sets a target of 10 to 20 per cent of the budgets of the labs being devoted to research and development partnerships with industry. Clinton also aims to cut spending on "big science" projects, while maintaining basic research as a high priority.

Although sceptical about how much impact these programmes *will have, US* high-technology industry executives are generally happy with the Clinton administration's increased focus on technology. "We are pleased to see the new *administration* emphasising the high-technology segment as the key to rebuilding the manufacturing infrastructure of the US," said William Reed, president of Semiconductor Equipment and Materials International, an industry trade group.

The president's leadership in establishing programmes and policy directions geared to advancing the development and use of technology will have more impact than the money being spend on technology policy, said Ed McCracken, president of Silicon Graphics.

The high-tech industry is also responding keenly to the president's call for industry-government co-operation. Semi, for example, is proposing a government-backed consortium to develop manufacturing technology for flat panel displays, such as those used in portable computers. Currently, Japan dominates this market.

The readiness of US high-tech industry groups to accept a more activist role by government is in some ways surprising. Silicon Valley, in particular, has long been known for its independent, entrepreneurial companies. "There is still a cowboy spirit in Silicon Valley, *we like to think we can* take care of ourselves," says McCracken.

Nonetheless, he believes that an "arm's length" relationship between industry and government no longer makes sense. "With the issues facing our country today, in particular the need to create jobs, I believe that we have to work together."

Yet to be seen, however, is whether the policy will produce a net increase in employment. Although a sampling of almost 700 venture capital-backed start-up companies created over 22,000 jobs last year, according to a recent survey, total employment in the US electronics industry has declined in each of the past four years.

New companies are not creating jobs as fast as established companies are laying off workers. It is also evident that technology eliminates jobs – on the factory floor and in the office. Yet to remain competitive companies have to become more productive and cannot afford to be afraid of losing jobs, industry executives say.

"If you assume that those jobs are going to go away, then you have to deal with the problem. One of the things I like about the Clinton programme is that he seemed to be ready to tackle this issue," says McCracken.

The ability to adjust to the rapid changes brought about by technology advances is one of the trademarks of a successful high-technology company. The government, Clinton says, must work more like that, adopting the philosophy of the high-tech industry, or the "gestalt of the gigabit".

"I believe my job as president is to try to adjust America so that we can win in the 21st century, so that we can make change *our friend* and not our enemy."

Louise Kehoe

Clinton's technology proposals (additional funds) 1994-97

Nasa civil aviation and short-haul aircraft research	$600m
Dual-use technology for defence reinvestment and transition	$1,331m
Federal Co-ordinating Council for Science, Engineering and Technology research initiatives	$1,206m
High-performance computing	$784m
National Institute of Standards and Technology	$1,306m
National labs [illegible]	$146m
Information highways	$275m
National Science Foundation	$2,297m
Government [illegible]	$2,849m
Extend R&D tax credit	$6,437m
Total	[illegible]

Source: White House

Information superhighways

The flagship of the Clinton technology plan is the development of "information superhighways", a nationwide communications network.

Building on a programme established in 1991 by legislation sponsored by Vice-President Al Gore when he was in the Senate, the scheme is an ambitious effort to "jumpstart" the construction of networks that the administration says: "have the same effect on US economic and social development *as public investment in the* railroads had in the 19th century".

Key elements of the plan include increased federal funding for R&D in supercomputers, high-speed networking and software and a programme to subsidise the construction of networking linking schools, hospitals and libraries.

Sensitive to charges that the programme is an example of "high-tech pork", administration officials stress that the government will not award big contracts to one or two companies. "We are trying to energise the private sector, create the competition that *will ensure that the best technology* gets out quickly and provide the leadership so that everyone is moving in the same direction," says Mike Nelson of the Office of Science and Technology Policy.

Already, there has been an enthusiastic response to the information superhighways proposal in Silicon Valley, according to Ed McCracken of Silicon Graphics.

"The local telephone and cable companies are accelerating plans to install high-speed lines. Potential uses of high-speed networks – in health, education and business – have become "the subject of cocktail conversation", he says.

LK

Big science on the back burner

The outlook has never been more uncertain for what were supposed to be the two biggest US science projects of the 1990s: the $30bn (£20.9bn) space station and an $8bn atom smasher, the superconducting super collider.

Although President Clinton *favours both, many observers* believe his commitment is far from wholehearted. They doubt whether he would invest much political capital in trying to save either project in the face of intense pressure from congressional budget-cutters.

According to John Gibbons, the new White House science adviser, big science projects may have been given too much urgency "compared with other priorities in terms of our national recovery and putting in place an investment strategy for future economic progress".

The Clinton administration's proposal for the SSC is to persevere with the existing plans to build the world's largest particle accelerator in a 86km tunnel beneath the plains of Texas, but to postpone the 1998 completion date by at least two years in the hope of defining more closely the complex equipment required and attracting international partners.

European nations will not contribute because they prefer to invest in their own accelerator at Cern, Geneva. Asian countries have resisted US requests to join *the SSC* and, *even if Japan succumbs,* foreign contributions are unlikely to come close to the $1.7bn originally expected.

There is no question about the SSC's scientific value, says Gibbons: "They're trying to solve some eternal questions about the nature of matter." By recreating on a small scale the conditions of the early universe soon after the Big Bang, physicists hope to gain a new understanding of fundamental forces and particles.

But cynics suggest Clinton's support for SSC may be more closely related to shoring up his reputation in Texas, where there is an election in May for the Senate seat vacated by Lloyd Bentsen, than to his interest in the origins of the universe.

In the case of the space station Freedom, Clinton has told Nasa to undertake a complete redesign to cut costs, currently estimated at $31bn. "We want to take a fresh look at this and not just take the existing station and start peeling away the pieces," said Daniel Goldin, Nasa administrator.

The space station has suffered several scaling-down exercises since President Reagan initiated the project in 1984, with the goal of having Freedom in orbit by 1994. The likely operational date has now slipped to 2000, although Nasa has already spent $8bn on preparatory work.

The latest design review and accompanying political uncertainties have left Freedom's supporters in Congress and the aerospace industry feeling confused and apprehensive.

"My biggest fear is that the whole programme could be lost if Congress votes against it when the new design is presented in June," says Tom Williams of McDonnell Douglas. Space station contracts keep 2,500 people employed at the company's aerospace centre in southern California.

The fate of Freedom will have ramifications well beyond the domestic aerospace industry because the project has international partners, notably *Japan and the European Space Agency.* Their representatives are now in Washington working with Nasa's redesign team.

Esa plans to spend $2.9bn over *the next seven years on its* contribution, a manned laboratory to be attached to the main US space station. "This could come out positively for Europe, if our support becomes more important to Nasa because they have to drop some of what they were planning to do," says Daria Robinson of Esa. "Or it could turn out negatively if the Americans cut down the project to the point where it is no longer interesting to take part."

To keep its options open, Esa is also discussing co-operation on future space stations with Russia. Esa may provide a module for the Russian Mir-2 in the late 1990s.

But Nasa too is talking about bringing Russia into its plans and optimists believe there is now an opportunity of making the space station into a global project.

Clive Cookson

MANAGEMENT: THE GROWING BUSINESS

The decline in Japan's entrepreneurial spirit may have far-reaching economic consequences, reports **Charles Leadbeater**

Rekindling the creative flame

Japan is facing a crisis of entrepreneurship. The sharp downturn in the Japanese economy has brought small business confidence close to the lows it reached at the depths of the 1975 recession caused by the rise in oil prices.

Small business bankruptcies are about 40 per cent up on a year ago, compared with about 4 per cent for large companies. Employment in family enterprises is falling at an annual rate of about 10 per cent a year, compared with a continued moderate rise in salaried employment at large businesses. This downturn comes after a lengthy period of stagnation in small business performance, with declining rates of start-up and falling labour and capital productivity.

Japanese small companies have been a vital spark of creativity in Japan. Many of the household names of Japanese manufacturing had their roots in entrepreneurial companies, founded after the second world war. The Honda Motor corporation started in a motorbike repair shop and Matsushita, the largest integrated electrical appliance maker in the world started as a small components manufacturer.

Small businesses are a vital source of flexibility, acting as subcontractors to larger groups. They have also provided employment stability.

Between 1981 and 1991 the share of employment accounted for by small companies, employing less then 300 workers, was stable in construction and real estate and fell marginally in manufacturing, retailing, financial services, transport and services. About 80 per cent of the Japanese workforce is employed in small companies.

The stability of small businesses' share of employment in Japan has been one of the main reasons for the country's low unemployment rate which did not rise above 3 per cent in the 1980s. But there is mounting evidence that the economic downturn has hit Japanese small businesses at a time when they were already running out of steam. A combination of structural factors and the sharp cyclical downturn means small businesses could be facing a shake out which could have far-reaching consequences for the economy.

The rate of business start-ups declined from about 7 per cent of all enterprises in the early 1970s to close to 4 per cent in the late 1980s. The net rate of business creation, the number of openings minus the number of business closures, stands at just under 1 per cent, according to official statistics gathered by the Ministry of International Trade and Industry.

But even that understates the decline in entrepreneurship. Start-ups by independent entrepreneurs now account for less than half of new enterprises. The rest are subsidiaries of large businesses.

Moreover Japan's small businesses have gradually become less dynamic. In 1975 they were 62 per cent as productive as Japan's large companies. In 1990 they were only 50 per cent as productive, according to Miti figures.

One of the main reasons for the fall in labour productivity is that since the 1970s small businesses have been a vast "labour-sponge" soaking up workers displaced from manufacturing companies. These have maintained their international competitiveness by streamlining their factories.

Now small companies are facing a number of pressures which will force them to restructure too, making it more difficult for them to soak up labour which is being shed from larger companies.

● As small companies get about 60 per cent of their finance from banks, they are vulnerable to a more restrictive approach to lending by the banks which are burdened by mounting bad loans. Banks are taking a more cautious approach to lending to risky small businesses, after a rapid expansion of lending in the mid-1980s.

● In manufacturing small sub-contractors will feel the brunt of moves by large companies to cut costs by lengthening product cycles and reducing the number of model variations. This means manufacturers will need fewer components made by fewer suppliers. Small businesses in manufacturing are heavily exposed as about 56 per cent of them are sub-contractors.

● Small manufacturers generally make less sophisticated products than large companies and are thus more vulnerable to mounting competition from rapidly industrialising low-wage economies.

● Deregulation in retailing is making it more difficult for small companies to compete with large groups. Between 1988 and 1991, the number of large retail outlets grew by 9.4 per cent, compared with a fall of 1.8 per cent in the number of small shops, according to Miti.

● Many small companies are trapped by the rise and fall of Japan's land prices. The rise in land prices during the speculative bubble economy of the late 1980s made it difficult for small companies to get started. However, small businesses which used land holdings as collateral to increase their borrowing now face a tight financial squeeze. According to Miti's estimates a 30 per cent fall in land prices would require small businesses to reduce their outstanding debts by about 27 per cent to maintain a constant ratio of debt to assets.

Commercial land prices have fallen by between 4 per cent and 20 per cent and are still falling, according to official surveys. The implication is that small businesses will have to devote a growing share of their earnings to paying off debts, rather than investing.

The economic downturn has swept away many family enterprises

In the short term small businesses' hopes of salvation rest with the government. Small businesses are a vital source of support for the ruling Liberal Democratic Party. The government has begun to cushion them against a credit crunch imposed by the banks restricting their lending.

In February, the Ministry of Finance wielded its influence over the commercial banks by officially asking them not to refrain from lending to small businesses.

The government has also increased public lending to small businesses through the public sector Peoples' Finance Corporation and the Small Business Finance Corporation.

Bank of Japan statistics show public-sector lending is growing in an attempt to offset a sharp fall in the growth rate of bank lending to small companies.

At its height in 1987, commercial bank lending to small businesses grew by 18.7 per cent, while the Small Business Finance Corporation's lending contracted by 3.3 per cent. However, since 1990 the roles have been reversed. In 1990 commercial bank lending to small business grew by 11 per cent but public lending rose by almost 20 per cent. In June last year public lending was rising at an annual rate of about 8 per cent, while commercial lending was growing at only 1.3 per cent.

Yet the government will be less able to offset the slowdown in commercial bank lending than it was during past downturns. The rise in private-sector lending to small businesses in the 1980s means they are now more heavily dependent upon the banks. In 1983 public sector lending to small businesses was worth about 25 per cent of bank lending, but by last year this figure was only 13 per cent of the bank's outstanding loans.

Moreover, the rise in public-sector lending will do nothing to relieve the longer term problems – intensifying competition from the rest of Asia, weaker relationships with their main Japanese clients, sluggish domestic demand and weak balance sheets.

The waning of the entrepreneurial spirit is becoming a source of official concern. The government has just begun to address what could prove to be a prolonged period of restructuring. A recent Miti report on small businesses said: "Considering the major contribution made by active business opening to boosting the country's industrial vigour, the decline in new start-ups, especially by individual entrepreneurs has come to a point where we really need to worry about its grave consequences for the future of the Japanese economy."

In a Nutshell

Cutting support for consultancy

The government is to cut subsidies for the Enterprise Initiative Consultancy Scheme, which provides consultancy help in fields such as marketing, quality and design, Michael Heseltine, trade and industry secretary, said.

Support will be reduced from two-thirds to half of the cost to businesses in assisted and urban programme areas and from half to one third of the cost elsewhere, with effect from March 24.

When the consultancy scheme ends, as planned, in March 1994, it will be replaced with a programme delivered locally through "one-stop shops" and Training and Enterprise Councils, Heseltine said last week in a written answer to a parliamentary question.

The new programme will consist of a diagnostic service, a consultancy brokerage and continuation "in some form" of consultancy support and technology-related advice.

Conference call for small firms

Business training, counselling and the impact of the Training and Enterprise Councils are among the themes to be considered at the 16th National Small Firms' Policy and Research Conference to be held at Nottingham Trent University on November 17-19.

The conference is the main UK small firms event for academics and small business practitioners. Summaries of proposed papers must be submitted by April 30.

Contact Conference Administrator, Commercial Centre, Nottingham Trent University, Burton Street, Nottingham NG1 4BU. Tel: 0602 486409.

Commission comes under attack

A two-pronged attack on the European Commission and on its directorate general for enterprise (DG23), for failing to do enough for small businesses, has been made by Ann Robinson, head of policy at the Institute of Directors.

The commission has failed to take into account the needs of small and medium-sized firms in devising the rules for the single market, while DG23 has proved a disappointment in defending their interests, she told an IOD small business conference in Belfast.

"The rules of single market appear to have been designed for big business and bureaucrats," she said. "Some of the most burdensome regulations for small firms have passed through the council of ministers without so much as a peep from DG23."

Campaigning to spread the word

The Management Charter Initiative, set up to improve the performance of the UK's managers, has launched a campaign to spread best practice in the field of small business initiatives.

The Managing for Growth campaign comprises the publication of recent research into small business problems, seminars and consultancy help. The aim is to ensure small business organisations do not "re-invent the wheel" but will be able to obtain information on schemes which are already working.

Among early examples of good practice identified by the MCI are a programme which provides high-level women managers as role models for their counterparts in small and medium-sized businesses and secondments of unemployed large company managers to small businesses.

MCI, Russell Square House, 10-12 Russell Square, London WC1B 5BZ. Tel: 071 872 9099.

A beginner's guide to raising capital

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Touche Ross

The Joint Administrative Receivers, Ralph S. Preece and Leonard H. Gatoff offer for sale the business and assets of the following companies in administrative receivership:

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Buzz (Leeds) Limited
Bliss (Nightclubs) Limited
City Leisure (Earls Court Road) Limited
Waterside (Hotel) Limited

The business and assets of the above companies comprise a number of fully operational theme bars and discotheques, trading from leasehold properties sited in well established locations in Newcastle Upon Tyne, Leeds and London.

- Yel Bar, Newcastle, is located in the busy city centre and achieved turnover of approximately £890,000 in the year ending 31 December 1992.
- Jimmy'z Bar, Newcastle, is located in the popular Quayside area of the city and achieved turnover of approximately £700,000 in the year ending 31 December 1992.
- Yel Bar, Leeds, is a popular venue bar which was fully refurbished during 1991. Turnover for the year ending 31 December 1992 was approximately £730,000.
- Buz Nightclub, Newcastle, which has recently been refurbished, is forecast to achieve turnover of approximately £800,000 during 1993.
- Bliss Nightclub, Newcastle, which has also been recently refurbished, is situated adjacent to Buz, incorporates a restaurant, and is forecast to achieve turnover of £416,000 during 1993.
- Club Copa and Harpo's Bar are located on the Earls Court Road, London, and achieved a turnover of approximately £1,100,000 during the year ending 31 December 1992. Harpo's Bar was fully refurbished during 1991.
- The Waterside Hotel, located adjacent to Jimmy'z Bar is in the Quayside area of Newcastle, is a 20 bedroom hotel and achieved turnover of approximately £210,000 during the year ending 31 December 1992.

For further information, please contact either Richard Daszkiewicz or Adrian Berry at the address below.

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10-12 East Parade, Leeds LS1 2AJ. Tel: 0532 439021. Fax: 0532 448942.

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For further information please contact D M Middleton or M J Moore at Coopers & Lybrand, Hadrian House, Higham Place, Newcastle upon Tyne NE1 8BP. Telephone: 091 261 2121. Fax: 091 230 5993.

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- skilled workforce of approximately 35 employees
- freehold site of approximately 11.5 acres containing manufacturing premises of approximately 38,700 sq ft
- network of sales agents.

For further information please contact either Nigel Vooght or his manager Scott McDonald of Coopers & Lybrand, PO box 262, Maidstone, Kent ME14 5XG. Telephone: 0622 672961. Fax: 0622 662053.

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Initial enquiries (principals only) to: Box No A4782, Financial Times, Number One Southwark Bridge, London, SE1 9HL.

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Expanding *privately* owned business *manufacturing exclusive gift*, agents and established accounts throughout U.K. Gift Shops, Garden Centres, Wildlife Parks etc. Outlets in Japan and USA.

Write box A4889 Financial Times One Southwark Bridge London SE1 9HL

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Residential Property Company
40 apartments, 4 shops *FULLY LET*
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For Sale - BF. 70 million
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Robert G Roberts & Jones Limited Group
(In Receivership)

The business and assets of this advertising and public relations group, which is based in Liverpool, are available for sale as a going concern.

Robert G Roberts & Jones Limited (In Receivership)

- Largest independent full service agency in the North West.
- Impressive portfolio of prestigious national and local clients.
- 1992 turnover £5.5 million.

Lyver Studios Limited (In Receivership)
(Trading as 'Accent on Design')

- Provides graphic and fine artwork services.
- Portfolio of national and local clients.
- Turnover in 9 months to 31 December 1992 £576,000.

Advance Public Relations Limited *(In Receivership)*
(Trading as Stopforth Bright Anderson - 'SBA')

- Provides public relations and consultancy services.
- Portfolio of national and local clients
- Turnover in 9 months to 31 December 1992 £256,000.

For further information please contact :

A J P Brereton FCA, The Joint Administrative Receiver, Price Waterhouse, York House, York Street, Manchester M2 4WS.
Tel : 061-228-6541. Fax : 061-236-1268.

Price Waterhouse

Crofts (Harrogate) Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the above retailer of ladies high fashion merchandise

- *Turnover £1.2m*
- *Two fully fitted freehold retail outlets in Harrogate and Helmsley, North Yorkshire, giving 3960 sq. ft. and 1440 sq. ft. of selling space*
- *Both outlets in good locations*
- *Labels stocked include Jobis, Fink, Yarell, Antonette, Helene Strasser and Le Truc*

The business and assets of a similar outlet in Guernsey may be available from the directors of associated companies, which are not in receivership.

For further details please contact the Joint Administrative Receivers, John Ayre FCA and Mark Dobell FCA, Ernst & Young, Barclays House, 6 East Parade, Leeds LS1 1HA. Telephone: 0532 431221. Facsimile: 0532 442241.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Le Cafe Du Jardin
28 Wellington Street
Covent Garden, WC2

The Joint Administrative Receivers of Rasenicol Limited, G S Kinlan and P R Copp, offer for sale as a going concern the business and assets of this long established restaurant in one of the best locations in London.

- Ground floor and basement restaurant in all about 2,500 square feet
- French and continental cuisine
- Approximately 100 covers
- Turnover (net) to 31/10/92 of £888,560
- Leasehold premises (16 years unexpired)

Interested parties should contact Mr P Bartrop of the Receivers' sole agents, Messrs Robert Barry & Co, 7 Upper Grosvenor Street, Mayfair, London W1Z 9PA.
Tel: 071-491 3026, Fax: 071-629 9373.

STOY HAYWARD | Horwath

Accountants and Business Advisers A member of Horwath International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

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8 Baker Street, London W1M 1DA. Tel: 071-486 5888. Fax: 071-935 3944

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CONTRACTS & TENDERS

Aredor Distribution Ltd

announces the result of their sale by tender of one rough diamond weighing 284.96 carats from the Aredor Diamond Mine in Guinea.

The diamond was purchased by the international jeweller Mr Robert Mouawad of Geneva.

The tender was conducted by the sole selling agent of the Aredor-Guinea Mine, IDC (Holdings) Ltd, London and Antwerp.

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
K. R. BARRY FCA & S. D. SWADEN FCA
IN THE MATTER OF

JOHN MILROY LIMITED
T/A MILROYS

Offers are invited for this well known wine & spirit merchants. Trading from leasehold premises in Greek Street London W1. The company has been trading since 1973 and is famous for its whisky expertise and Milroys Whisky Club.

•Further enquires should be addressed to the offices of;
Leonard Curtis & Co, Chartered Accountants,
30 Eastbourne Terrace, London W2 6LF Tel: 071-262 7700 Fax 071-723 6059

SUN AND SNOW LIMITED
The Administrative Receiver offers for sale this well established ski sports shop

- Turnover £500,000 approx. p.a.
- Shop situated near Harrods in Knightsbridge.
- Stocks for sale including well known names.
- Double fronted shop.
- Good reputation.

Please contact Chris Chapman *of Gibson Hewitt & Co.*
Tel: 0932 336149
Fax: 0932 336150

GIBSON HEWITT —&CO

Chartered Accountants, 5 Park Court, Pyrford Road, West Byfleet, Surrey, KT14 6SD.

By order of I. Clark, Esq., Administrative Receiver of Kleenseed Limited

FOR SALE

THE BUSINESS AND ASSETS OF AN ESTABLISHED AGRICULTURAL SEED CONTRACT GROWING AND PROCESSING CONCERN

- Turnover £1m per annum
- Leasehold property interest in Wem, Shropshire
- Established customer base
- Substantial stock holding including cereal seed stock for Spring 1993 planting season
- 2 seed processing lines with ancillary equipment

Interested parties should contact either of the following:

Chris Hall — Edward Rushton — 021-212 4050

Ian Clark — CLARK & CO. Insolvency Practitioners — 0625 548180

Car Showrooms & Motor Workshops

The Joint Liquidators offer for sale two motor dealership premises, in Reigate.

- freehold premises comprising Showroom, Workshop and Offices
- leasehold premises comprising Showroom and licence on Workshop, Offices, Petrol Station and Used Car Forecourt.

For further information please write to A R Stanway, Cork Gully, St Andrew's House, *20 St Andrew Street, London EC4A 3AY. Fax: 071 212 6800.*

Please quote *reference PP sa413.*

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

The Joint Administrative Receivers of
ACME SIGNS AND DISPLAYS LIMITED
OFFER FOR SALE
the business and assets of

MOVITEX

Manufacturers of inter-changable signs and planning charts, price ticketing and office signs to include
The Business, Goodwill, Trade Marks, Plant, Stocks and Order Book

Contact: David R.F. Sapte or Frances E. Watson
BEGBIES
Chartered Accountants
6 Raymond Buildings,
Gray's Inn,
London WC1R 5BP
Tel: 071-242-6939 Fax: 071-405-0350

SPECIALIST STAINLESS STEEL PRESSURE VESSEL MANUFACTURER FOR SALE

North West based manufacturer with full C.A.D. 'in house' facilities. Excellent track *record in the industry* for over 30 years producing vessels, columns, tubular condensers and pipework.

Blue chip customers base. No long term debt.
This is NOT a distress sale.
Exit route sought for retiring directors.
Pricing: Circa Net Assets.

Details: Rosehill, Lydiate, Merseyside L31 4JF
Tel: 051 526 4008. Fax: 051 526 1673.

A. ANTHONY ASSOCIATES
CORPORATE FINANCIAL PLANNING

COMPANY NOTICE

BRADFORD & BINGLEY
BUILDING SOCIETY

£200,000,000
Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, the interest rate for the period 15th March, 1993 to 15th June, 1993 has been fixed at 6.125% per annum. The interest payable on 15th June, 1993 against the Coupon 8 will be £154.38 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

PEOPLE

EBRD picks chief economist

Jacques Attali's European Bank for Reconstruction and Development has hired a heavy hitter as chief economist to replace John Flemming, who leaves in September to become warden of Wadham College, Oxford.

Michael Bruno (right), governor of the Bank of Israel between 1986 and 1991, will take over in October. He was approached indirectly by the EBRD about six months ago and opted for the London-based bank after turning down an offer to be chief economist at the World Bank in Washington. Bruno is currently Melchior Professor of International Economic Policy at the Hebrew University in Jerusalem and president of the International Economic Association.

At 60, Bruno is no stranger to the problems of radical economic change and has been willing in the past to take a tough line with politicians.

He was one of the architects of a successful Israeli economic recovery programme in the mid-1980s and later, as bank governor, had to cope with the economic strains caused by mass immigration from the former Soviet Union.

Bruno has advised Mexico, the former Yugoslavia and Poland on economic reform and wrote a book on stabilisation and reform while he was a visiting professor at Massachusetts Institute of Technology. At the Israeli central bank, he was often embroiled in controversy with the Likud-led government. In 1989 he took the brave step of urging cuts in the Israeli defence budget to curb increases in government borrowing.

Such policy-making experience will be invaluable in his

dealings with the new democracies of eastern and central Europe and the former Soviet republics as well as with the Byzantine bureaucracy of the EBRD itself.

Non-executive directors

Sir James McKinnon, who steps down as director general of the Office of Gas Supply (Ofgas) in September, could soon pick up his first company chairmanship. He is replacing Sir Graham Day as deputy chairman of MAI, Lord Hollick's financial services and media group.

Sir James, 63, one of Britain's more combative regulators, announced last month that he was retiring a year earlier than planned. Sir James has known Sir Ian Morrow, who has been chairman of MAI since 1974, since their days together at the Scottish Institute of Chartered Accountants – of which they have both been president.

However, Sir Ian has turned 80 and now that Sir Graham has decided to relinquish the deputy chairmanship of MAI, Sir James, a former finance director of Imperial Tobacco, would seem a natural successor to the MAI chair. Sir Graham, chairman of Cadbury Schweppes, remains a non-executive director of MAI.

John Ashworth, director of the London School of Economics, is David Sainsbury's first non-executive appointment to the board since he took over as chairman of supermarket chain J Sainsbury last November.

Ashworth says that the directorship "formalises" a long-standing involvement with David Sainsbury. Ashworth is a trustee of the Gatsby Charitable Foundation and the two families have known each other for years. He adds that, as far as he is aware, the Sainsburys have never given any money to the LSE.

Knowing "nothing" about retailing, Ashworth, 54, says he has been recruited rather for his biological expertise with its application to food science. Starting out in the department of biochemistry at Leicester University, Ashworth subsequently became professor of biology at Essex. Before his nine year stint as vice chancellor of Salford University, he worked at Cabinet Office as chief scientist in the central policy review staff.

He notes that as a Gatsby trustee he has had a hand in evolving its policy towards plant science and in helping set up the Sainsbury laboratory which carries out research into disease resistance in plants.

■ **Christopher Chataway** has resigned from RADIOTRUST.

■ **Sir David Nicolson** is resigning from SOUTHERN WATER.

■ **Matthew Dobbs**, a director of Schroder Investment Management (Japan), at SCHRODER KOREA FUND on the resignation of **David Salisbury**.

■ **William Hoskins**, deputy finance director of LAPORTE, is to become finance director on the retirement on April 21 of **Dick Dickinson**, who has been with Laporte for 21 years and finance director since 1985.

■ **David Wells**, regional chairman of BRITISH GAS South Eastern, will be appointed md of regional services as from August 1 on the retirement of Arthur Dove. Last year he was seconded to be director of the MMC's task force into gas supply in the UK.

■ **John Anthony** has been appointed director and general manager – LUCAS Aftermarket Operations.

■ **Frederick Brown**, formerly a director of Bank of Ireland Corporate Finance, has been appointed commercial director of ASSOCIATED NURSING SERVICES.

Founder Jones shares out top job

Sharelink, Europe's largest execution-only stockbroker, has recruited *Richard Fielding* (right), former chairman of insurance brokers CE Heath, as non-executive chairman of the holding company.

Founder David Jones, who had combined the roles of chief executive and chairman, explains that since last May's management buy-out the company had said it intended to seek a non-executive chairman. "It has just taken a long time to get around to it; we have all been very busy."

Sharelink has grown rapidly during its six year existence; Jones claims it now sees up to 10 per cent of all stock market transactions in the UK, with a market share of 15-20 per cent of the country's private client

business. He is already confident of being able to exceed "significantly" this year's budgeted profit of £2.5m.

Fielding, 59, retired as chairman of CE Heath last July. Having risen to the position of managing director at the insurance broker in the early 1970s, he left to form his own company, Fielding Insurance Holdings. The latter was merged with Heath in 1986. Fielding became group chief executive and chairman the following year.

Approached for the Sharelink opening by headhunters, Fielding says he had never been headhunted before and that he "enjoyed the novelty". Jones, meanwhile, reckons his new chairman combines the "right personal qualities and style" in addition to having the experience of building a business from scratch into a large organisation. "And insurance is not a million miles from stockbroking – lots of paper, to begin with," adds Jones.

CONTRACTS & TENDERS

TURKISH AIRLINES INC.

Turkish Airlines invites any interested parties to tender for the supply of JET FUEL A-1 for the period 1st May 1993–30th April 1994 inclusive, at European, Middle East, USA and Far East airports. Fuel will be purchased under sealed tender by adjudication. Proposals must be delivered on or before 5th April 1993 17.00 p.m. local time to the address shown below.

Full information on bidding together with technical and administrative conditions are also available, details of contacts are shown below.

Turkish Airlines Inc.
11-12 Hanover Street
London W1R 9HF

or

Turkish Airlines Inc.
Fuel Management
Ataturk Airport
General Management Building
A Bloc 2nd Floor
34800 Yesilköy/Istanbul, Turkey
Telex No. 28871 DXTK TR or 21198 TJTK TR
Tel: 010 901 574 74 03/010 901 574 73 00 ext. 1250 or 1253
Fax: 010 901 574 74 44/010 901 574 76 04

LEGAL NOTICES

No. 00 2040 of 1993
In the High Court of Justice
Chancery Division
Companies Court

IN THE MATTER OF
JOHN TAYLOR HOLDINGS LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 4th March 1993 presented to Her Majesty's High Court of Justice for:–

1. Confirmation of the reduction of the capital of the above-named company from £5,489,378 to £7,150.27; and 2. Confirmation of a cancellation of the share premium account of the above company in the sum of £20,520.

AND NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday the 24th day of March 1993.

ANY creditor or shareholder of the said company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose. A copy of the said Petition will be issued to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 12th day of March 1993
Nabarro Nathanson,
50 Stratton Street, London W1X 5FL
Ref: 6A/PXW/T736.46
Solicitors for the Company

No. 00 2042 of 1993
In the High Court of Justice
Chancery Division
Companies Court

IN THE MATTER OF
THE TAYLOR GROUP LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 4th March 1993 presented to Her Majesty's High Court of Justice for:- Confirmation of the reduction of the capital of the above-named company from £5,036,000 to £7,235.60.

AND NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday the 24th day of March 1993.

ANY creditor or shareholder of the said company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be issued to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 12th day of March 1993
Nabarro Nathanson,
50 Stratton Street, London W1X 5FL
Ref: 6A/PXW/T736.46
Solicitors for the Company

Notice of Appointment of
Joint Administrative Receivers
BOURNCRETE LIMITED

Registered number: 338236. Nature of business: Manufacturers of pre-cast concrete products. Trade classification: 07. Date of appointment of Administrative Receivers: 8 March 1993. Name of person appointing the Administrative Receivers: Midland Bank Plc, 47 Cannon Street, London EC4M 5SQ. Joint Administrative Receivers: N J Vought and J M Iredale (office holder Nos 6339 and 2104). Address: Coopers & Lybrand, PO Box 262, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ.

Savings & Investment Bank Limited ("SIB")
Ex Gratia Compensation Scheme

The Government of the Isle of Man has appointed Timothy J Bear, Joint Liquidator of SIB and a Partner in KPMG Peat Marwick, Douglas, to administer a scheme of ex gratia payments to qualifying deposit and current account holders of the above bank, which went into insolvent liquidation on 12 July 1982.

Consideration will be given to claims under this scheme only upon receipt by the Scheme Administrator before 24 April 1993 of a fully completed claim form. Claim forms together with accompanying instructions and summary of Scheme Terms have already been despatched to all known qualifying account holders at their last registered address. Any person wishing to claim compensation under this scheme and who has not received a claim form should contact:-

SIB Compensation Scheme Administrator, c/o Savings & Investment Bank Limited, Heritage Court, 41 Athol Street, DOUGLAS, Isle of Man
Telephone: 0624 623056

Please note that any person who for any reason fails to submit a completed claim form to the Scheme Administrator before 24 April 1993 will not be eligible for compensation under this Scheme.

PERSONAL

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All subjects including: Memoirs, religion, poetry, children's stories and fiction. New authors welcome. Contact: Adelphi Press (Dept E46L) 138 Brompton Road, London SW3 1HY.

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REPUBLIC OF PARAGUAY
MINISTRY OF PUBLIC WORKS AND COMMUNICATIONS
DEPARTMENT OF PUBLIC ROADS
NOTICE

PREQUALIFICATION AND INTERNATIONAL PUBLIC BIDDING - MOPC - BID 635/OC-PR Nº 3, OF CONSTRUCTION COMPANIES SPECIALIZED IN ROAD CONSTRUCTION FOR RESURFACING VARIOUS SECTIONS OF ROADS IN THE COUNTRY

The Ministry of Public Works and Communications through the Department of Public Roads, calls for International Public Bidding and Prequalification of Companies of the International Development Bank (BID) member countries, to present offers for resurfacing work of the following road sections of the Country:

- PARAGUARI - SAN JUAN BAUTISTA (132 km.)
- LUQUE - YPACARAI (22 km.)
- LA COLMENA - ACAHAY (32 km.)
- ACAHAY - YBYCUI (18 km.)

Work contemplates the following:
– Patching of potholes and restitution of road profile.
– Overlay with a 4 cm. thick sheet of concrete asphalt over the width of the road.
– Reconstruction of road shoulders.
– Surfacr roadsigns.
– Cleaning of drains.

The project will be financed with the cooperation of the Interamerican Development Bank (BID), through Loan BID 635/OC-PR.

The Specifications of Bases and Conditions may be purchased from the Planning and Projects Departments of the Department of Public Roads of the Ministry of Public Works and Communications, Oliva and Alberdi streets, third floor, Asunción, Paraguay, as from March 19, 1993, at a non-refundable cost of (Gs. 400,000.00) Four Hundred Thousand Guaranies to be deposited in Account Nº 490 "Otros Recursos", at the Central Bank of Paraguay; the cost of each additional set of Specifications, is of (Gs. 200,000.00) Two Hundred Thousand Guaranies.

To take possession of the Specifications, interested parties are to present a written application addressed to the Director of Public Roads, with required fiscal stamps attached, indicating the name of the Firm, domicile, telephone number and name of the legal representative, with copy of the deposit slip attached.

Offers written in Spanish together with the documents specified in the Specification of Bases and Conditions shall be received on May 4, 1993, until 09:00 hours, in the Conference room of the Ministry of Public Works and Communications, third floor, Oliva and Alberdi streets, opening of envelopes marked Nº 1 will be done later in a public proceeding

Dirección de Vialidad
Ministerio de Obras Publicitas y Comunicacions
Teléfono: 595-21 - 445709
Fax: 595-21 - 448956
Asunción - Paraguay

GREEK EXPORTS S.A.
ANNOUNCEMENT OF A REPEAT PUBLIC AUCTION FOR THE HIGHEST BID

GREEK EXPORTS S.A., based in Athens at 17 Panepistimiou Street and legally represented, in its capacity as Liquidator of the Industrial and Commercial Heating Products Company (ABEETH S.A.) and in accordance with article 46a of law 1892/1990, as supplemented by article 14 of Law 2000/1991; the decision of the Athens Court of Appeal No. 9338/1992 and following the written statement with incoming ref. no. 233/4.3.93 of the creditor of para. 1 of the above article:

ANNOUNCES

A repeat public auction for the highest bid, with sealed, binding offers for the purchase, in toto, of the assets of the Industrial and Commercial Heating Products Company (ABEETH) S.A. established in Athens at 10 Ermoupoleos Street, Rizoupolis and which is under special liquidation.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

The Industrial and Commercial Heating Products Company (ABEETH) S.A. operates in a rented space within the installations of THERMIS S.A. at 10 Ermoupoleos Street, Rizoupolis. Its activities include the production and sale of steel boilers and steel heating radiators, the sale of heating and air conditioning equipment and the assembly of elements for the manufacture of the above items supplied from Greece or from abroad. These products are of a high quality and bear the recognised trademark of "THERMIS" which it owns and which it is authorised to use.

TERMS OF THE AUCTION

1. In order for the auction to take place, all interested parties are invited to receive from the Liquidator, the Offering Memorandum which describes in more detail the assets of the Company for sale, its obligations, and the necessary procedures for its transfer, as well as the form of the Letter of Guarantee needed for the submission of a binding offer to the Athens notary public assigned to the auction, Mrs. Flora Balane-Zoulia at 14-16 Feidiou Street, 6th floor, Tel. 30-1-362.8143 and 360.0855 up to Tuesday 6th April 1993 at 1900 hours.
2. Bids will be unsealed before the above notary on Wednesday 7th April 1993 at 1000 hours and with the Liquidator in attendance. All those who have submitted bids within the prescribed time limits can also attend. Any bids submitted beyond the prescribed time limits will not be accepted or considered.
3. The sealed, binding offers must clearly state the price offered for the purchase, in toto, of the Company's assets and must be accompanied by a Letter of Guarantee from a bank legally operating in Greece, for the amount of twenty million drachmas (20,000,000 drs.) or its equivalent in U.S. dollars.
4. The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, titles, rights, rights for mineral ore exploration, etc. are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not, and with the proper legal procedures.
5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90 article 46a, para. 1 as in force), known hereafter as the Majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal of the State to approve, as required, the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.
6. Prospective buyers hereinafter referred to as "Buyers", shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgment and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.
7. Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their incontestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.
8. In the event that the person to whom the auction is adjudicated, fails in his obligation to appear within twenty (20) days from being invited to do so, and sign the relative sale contract and fails to abide by the other obligations accruing from the present announcement, then the above-mentioned guarantee of twenty million drachmas (20,000,000 drs.) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, and any actual or hypothetical loss sustained, with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as a penalty clause, and collect it from the guarantor bank.
Guarantees deposited by other bidders shall be returned to them after the Liquidator's evaluation report has been approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid the sale price and the act of settlement has been drawn up and signed.
9. The highest bidder is deemed the one whose offer has been so judged by the Liquidator and approved by the Majority Creditors as being in their best interests.
10. The Liquidator shall not be liable to participate in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.
11. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.
12. Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgagor's fees, rights and other expenses for drawing up topographical diagrams as required by Law 651/77, etc.) are to be borne by the Buyer.

Interested parties should apply for further information to:

a) The head office of the Hellenic Industrial Development Bank, Directorate of Public Holdings, at 87 Syngrou Ave. 2nd floor, 117 45 Athens, Greece, Tel. 30-1-929.4395 and 929.4396 and to

b) Greek Exports S.A., 17 Panepistimiou Street, 1st floor, 105 64 Athens, Greece, Tel. 30-1-324.3111-115.

BUSINESSES FOR SALE

INVITATION
For the submission of Declarations of Interest for the purchase of the Assets of
"BARCO SA TEXTILE INDUSTRIES"
of Athens, Greece

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator of "BARCO SA TEXTILE INDUSTRIES", a company being liquidated under the "special liquidation" provisions of L. 1892/90, invites interested parties to submit within twenty (20) days from the publication of this Notice Non binding Written Declarations of Interest for the purchase of the whole of the assets of the Company.

BRIEF INFORMATION: The Company was founded in 1956 (o.j. 428/1956) and was in operation until 1981, when it was declared bankrupt. In 1988 it was brought back into operation, while in 1990 in was declared bankrupt for the second time. The Company's activities including a factory consisting of three buildings, with a total area of 34,115 m² standing on a plot of 19,062 m², machinery and mechanical equipment.

SALE PROCEDURE: The sale of the Assets of the Company will be by public tender in accordance with the provisions of article 46a of Law 1892/1990 and the terms mentioned in the invitation to be published in this respect in the Greek and foreign press on the dates stipulated by the law.

SUBMISSIONS OF DECLARATIONS – OFFERING MEMORANDUM – FURTHER INFORMATION: Declarations of interest may be submitted to the Liquidator of the Company, from which an Offering Memorandum and further information may also be obtained, "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", at the following address:
1 Skouleniou street, 105 61 Athens, Greece.
Tel: + 30-1-323.14.84 Fax: + 30-1-321.79.05 (attn: Mrs. Marica Frangakis).

G.J. KING & Son (Brighton) Ltd
BUILDING CONTRACTORS
(In Administrative Receivership)

Roger H Buckman and Ian R Bradbery the Joint Administrative Receivers offer for sale the business and assets of G J King and Son (Brighton) Ltd and its specialist plastering division Robert Cook and Son.

Principal features include:

- Experienced workforce of building operatives including specialist plasterers
- Annual turnover of £6m
- Leasehold properties
- Machinery equipment and vehicles
- Benefits ensuing from existing contracts

For further information contact:

The Joint Administrative Receivers
Moores Rowland Insolvency Division
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NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986 that a meeting of the creditors of the above named Company will be held at 7 Kenrick Place, London W1H 3FF on 22nd March 1993 at 12.00 noon for the purposes provided for in Section 98 et seq.
A list of the names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 8th March 1993
P.A. NEWMAN, Director.

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Registered No: 2112083. Former Name: Chipboards Limited. Trading Name: Chipset. Trade Classification: 22. Names and Addresses of Joint Administrative Receivers: Vivian Murray Bairstow and Ian Jacob both of Robson Rhodes, 186 City Road, London EC1V 2NU (Office Holder No's: 5316 and 2121). Date of appointment: 24th February 1993. By Whom Appointed: Midland Bank plc. Date of charge: 5th April 1989. Nature of Charge: Fixed and Floating. Assets over which Joint Administrative Receivers not appointed: Nil.
V.M. BAIRSTOW & I. JACOB,
Joint Administrative Receivers.

BUSINESS AND THE LAW

Selection process for Commission jobs attacked

EUROPEAN LAW

The appointments of two directors to the European Commission Directorate-General for Fisheries have been annulled by the European Court of First Instance, because the successful applicants were chosen by the Commission not because of their qualifications but because the EC countries from which they came were "owed" the jobs.

The case was brought by two of the unsuccessful applicants for the posts, who were rejected on the grounds that they were insufficiently qualified in spite of both having worked on EC fisheries policy. The two successful applicants were economists from Spain and Italy.

The Court found that the two previous holders of the posts had been Spanish and Italian and that, in spite of advertising the jobs openly, the Commission had already decided who the new directors would be before the applications of the other candidates had been considered properly.

The case brings into the open the political nature of the selection procedure for Commission jobs. It is hoped the Court's judgment will lead to greater transparency in Commission appointments.

T-58/91: Booss and Fischer v Commission, CFI 4CH, March 3 1993.

Luxembourg birth and maternity allowances discriminatory

The European Court last week upheld an action brought by the Commission against Luxembourg for imposing discriminatory rules for the grant of birth and maternity allowances.

Under Luxembourg law, antenatal allowances were payable to pregnant women on condition that they were legally domiciled in Luxembourg and post-natal allowances were payable on condition that one of the parents of the child had been legally domiciled in Luxembourg for at least one year at the time of the birth. Maternity allowances were also available for any pregnant woman or mother legally domiciled in Luxembourg.

The Court ruled both types of allowance were social security benefits under EC law and thus should be capable of being enjoyed by both migrant as well as purely national workers.

The Luxembourg government argued that the rules were not discriminatory because they applied to both Luxembourg nationals and nationals from other EC states. The Court rejected that argument, as it found that the conditions were more easily fulfilled by a Luxembourg national than a national from another member state.

C-111/91: Commission v Luxembourg, ECJ FC, March 10 1993.

Belgian environmental legislation in breach of EC law

The European Court has ruled Belgium in breach of EC environmental laws on air quality norms for nitrogen dioxide.

The EC legislation sets certain limits for the amount of nitrogen dioxide in the air. These limits can be reduced by individual Community countries, but only after consultation with bordering states which may be affected by lower limits.

The legislation also obliges member states to consult one another in the event of a pollution incident which results, or is likely to result, in the limits being exceeded; to keep the Commission informed of any consultations; and to give it the opportunity to participate.

Belgium implemented all the legislation except for the provisions relating to the consultations. The Belgian government submitted that these provisions did not need to be implemented as Belgium did not envisage taking any action which would lead to the consultation procedure being opened.

The Court rejected that argument. The provisions relating to the consultation procedure were an indispensable element of the legislation.

Failure to implement such provisions constituted a breach of Community law, in that Belgium had failed to implement fully the EC legislation as requested.

C-186/91: Commission v Belgium, ECJ FC, March 10 1993.

BRICK COURT CHAMBERS, BRUSSELS

No clear-cut favourite

Robert Rice on the three options for reforming the law on abuse of market power by dominant companies

The UK government is shortly expected to announce its preferred option for reforming the law on companies abusing their power in the marketplace to stifle competition. In a green paper published last November, Mr Michael Heseltine, the trade and industry secretary, canvassed three options. These are:

- to retain the existing case-by-case approach under the 1973 Fair Trading Act and 1980 Competition Act for dealing with anti-competitive practices. Under this option, the Office of Fair Trading would be given stronger investigatory powers and businesses would be made liable for damages and possible civil penalties for continuing abuse;
- to introduce a general prohibition on abuse of market power based on Article 86 of the Treaty of Rome, backed by tough investigatory powers for the OFT and fines on companies of up to 10 per cent of worldwide turnover;
- to introduce a general prohibition, give tough investigatory powers to the OFT and authorise stiff financial penalties, but retain the investigation provisions of the Fair Trading Act, which allow for industry-wide monopoly inquires.

Initial reading of the green paper suggested that the government favoured the third option. This in itself was a big shift from its position just two years ago. Speaking about competition policy in July 1990, Mr John Redwood, then corporate affairs minister, said: "Existing UK competition law has plenty of powers to enforce open and fair markets. There are already several statutes giving extensive investigatory powers to the authorities. The government has decided not to introduce a prohibition-based policy on abuse of dominant position but to concentrate on effective use of existing powers."

The change in attitude since 1990 reflects growing pressure for comprehensive reform. The government remains committed to reform of restrictive practices legislation, and is aware of the contradiction of changing the law on anti-competitive agreements while leaving the law on abuse of market power unchanged.

Since 1990, subsidiarity – allowing decision-making to be carried out at the lowest appropriate level – has emerged as a leading issue within the EC. Brussels has made it clear that in future it will deal only with the most significant competition infringements or cases which are likely to advance the law, leaving the rest to the national courts.

There is also genuine concern that the present UK system is not working. It is weak on deterrents, and the 1980 Competition Act has provided slow and ineffective procedures for tackling abuse.

Divergent views: no clear consensus has emerged to guide Mr Heseltine

In light of such pressures, those businesses hoping that the consultation exercise will result in a decision not to change the law on monopoly power are likely to be disappointed. The key question, however, is whether the responses to the green paper have persuaded the government to shift ground since November, away from a position close to option 3 – calling for a general prohibition – to one based on option 1 – retaining the case-by-case approach. Mr Heseltine's problem is that no clear consensus on the best option has emerged.

The Confederation of British Industry, after extensive consultation with its own members, is broadly against any reform, but if the government is determined to press ahead, then it would favour some variation based on option 1.

Businesses used to competing with a dominant player in the market, such as Mercury Communications, are generally behind option 3. The Consumers' Association also supports it. "Restraints on competition almost always act against the consumer, by encouraging inefficiency, by limiting choice and by enhancing the power of vested interests," says Mr Stephen Locke, CA's director of policy. "What is needed, and already exists at Community level, are clear prohibitions, substantial penalties for breaching them and full rights for third-party redress, enforced by an agency with strong powers of investigation."

The views of competition lawyers appear to vary with the position of their corporate clients. But when they divorce their views from their clients' interests, most appear to favour options 2 or 3.

The government, too, finds itself in a quandary in that a prohibition on abuse of a dominant position would have a huge impact on the regulated utilities, such as telecommunications, gas and electricity. It retains a golden share in most of them and might understandably be reluctant to adopt a regime which could have a big effect on the way they currently do business. On the other hand, the government is aware that there can be no justification for a prohibition not applying to the regulated utilities.

The view of the CBI will undoubtedly carry weight. The employers' organisation says a prohibition is too inflexible and "an inappropriate tool for ensuring that markets are competitive". Even dominant companies must be in a position from which they can react to competitive pressures, it says. The CBI wants to retain a system which enables cases to be dealt with on an ad hoc basis rather than attempting to devise rules which make generalised distinctions between competitive and anti-competitive practices and ban the latter. It is unacceptable, the CBI adds, "that business could become liable for fines for behaviour which at the time it was undertaken was believed to be legal".

The CBI also believes a system based on prohibition would impose very high costs on business in the form of compliance and these costs would not be offset by any benefit resulting from the change – a view which is partially supported by many competition lawyers.

This looks like a "big industry" response to the issues raised by the green paper. But the CBI insists that it represents the views of its members across the board. The CBI's smaller-companies council is particularly concerned that small and medium-sized enterprises would bear a disproportionately high percentage of the costs imposed by a prohibition system.

The views of companies such as Mercury (which has competed against BT, the dominant player in telecommunications, for the past 11 years) cannot be ignored, however. In contrast to the CBI's "if-it-ain't-bust-don't-fix-it" message, Mercury believes that if the present system is proven to be inadequate then tinkering with it should not be an option. It believes that, for the regulated industries, industry-specific rules are not effective enough to deter anti-competitive behaviour. Instead, it argues, a radical solution is needed. It favours the introduction of a prohibition system making anti-competitive conduct per se unlawful, backed by a choice of effective remedies including the right to bring private legal actions.

Bringing private legal actions would be extremely difficult, however. It would take a long time to gather the necessary evidence, and the English courts have no experience in judging such complex economic issues. But Mercury says the intention is not to overload the courts with lengthy cases. Rather, it wants a system under which the "deterrent effect will be sufficiently strong to replace the existing incentive to abuse market power until told to stop".

Mr Heseltine faces some tough choices. The underlying pressure to beef-up the law on abuse of market power and to bring the UK into line with its European partners remains. But the government will also be wary of imposing a heavy new burden of costs on UK industry as it begins to emerge from recession.

LEGAL BRIEFS

High cost of failure to carry out reforms

The Law Commission, the UK government's law reform body, complained last week that government failure to implement its proposals for reform, particularly in the area of property law, was costing the UK millions of pounds in unnecessary legal fees and court costs. More than half of the 40-plus reports produced by the commission since 1984 remain either under consideration or unimplemented. This is in sharp contrast to 20 years ago. Of the 30 law reform reports submitted to the government between 1966 and 1973, 28 were implemented in an average time of two years.

Outside advice

An independent survey, commissioned by City lawyers Taylor Joynson Garrett of Britain's top 1,000 companies shows that 68 per cent are using more or the same amount of legal advice from outside law firms this year compared with 1992.

In-house legal departments are still contracting, however, with 53 per cent of companies saying they would be employing the same number or fewer in-house lawyers this year. Lawyers working in medium-sized companies with smaller legal departments are particularly at risk, with 15 per cent of companies in this category expecting to make cuts in their in-house legal teams in 1993.

The survey also showed that 20 per cent of the top 1,000 companies had recently taken advice on corporate recovery matters, and that 10 per cent had sought advice on issues connected with the future viability of their businesses or part of them. The companies all agreed that law firm fees were "very high", but that cost was only the fifth most important factor when choosing legal advisers. Specialist expertise came top.

Opera in concert

Peter Grimes

The high point of Mstislav Rostropovich's current Britten Festival at the Barbican was intended to be the two concert performances of *Peter Grimes*. Up to a point, the intention was realised.

On Sunday, the excellence of the London Symphony Orchestra and Chorus was the ballast of the performance. Since the principal gain of such operas-in-concert is the host of opportunities offered for close-up examination of the score, the fine quality of the playing only enhanced admiration for the myriad fine detail of the music. A beautifully poised viola solo launching the Passacaglia offered a notable instance; so too the pithily characterful utterance of the Act 3 dance band, placed just close enough to allow the listener to note anew how subtly Britten worked its nippy pleasantries into the fabric of gathering dramatic tensions.

A front-rank cast had been engaged: again, the pleasures of witnessing its most assured members in action fed one's admiration for the phrases Britten wrote for their characters. A singer's aim on such occasions should be the nicely judged infusion of characterisation into the smooth, clear delivery of notes. Such sharp-profiled singer-actors as John Dobson (Boles), John Connell (Swallow), Anne Collins (Mrs Sedley), Menai Davies (Auntie) and the sparky Jason Howard (Keene) – all experienced in the *Grimes* productions of Glyndebourne, ENO or Covent Garden – hit home their points with vivid economy. It was good to hear Ryland Davies taking a character role, the Rector, with such elegance. Platform entrances and exits added to the concert-drama – not, though, the addled boo-hoo-ing of the female chorus-member filling in for the boy apprentice.

But the three principals, newcomers to their roles, revealed their inexperience in ways that sometimes rocked the concert-opera balance. Bryn Terfel's preening of his youthfully magnificent bass-baritone made only a superficial connection with Balstrode. Nancy Gustafson, dressed as a handsome West Coast belle with a glitter of diamonds in her hair, sang with a generalised warmth that too rarely found the centre of Ellen's precisely placed notes.

It can be no easy matter to undertake one's first Grimes in the city where Peter Pears and Jon Vickers have held sway. The Canadian Ben Heppner, a heroic singer of uncommon intelligence, sensitivity and bounteous vocal gifts, struggled with those portions of the vocal writing most closely linked with Pears's tenorial idiosyncrasies. He will surely find his way deeper into the role, and should be fervently encouraged to do so – but, let us hope, under a conductor less far removed from the opera's "real world" than Rostropovich. To be brutally frank, it seemed to me that on this showing, and for all the conductor's generosity and musicianly enthusiasm, he hasn't a clue of how *Peter Grimes* actually goes.

Max Loppert

Second Barbican *Grimes* concert tomorrow

Pop go the Sixties

William Packer both admires and questions the exhibition at the Barbican Art Gallery

The first thing to say of this large exhibition of British art in the 1960s, that David Mellor – he of Sussex University – has selected and documented so copiously, is that it is beautifully presented, fascinating and extremely enjoyable at every turn. The second, which follows inevitably upon anything whatsoever to do with "the Sixties" – to those of us, that is, whose early career was coincidental with them – is that of course it is misconceived.

The exhibition's faults are the creatures of its virtues, for Mellor is so taken with his material, in all its aspects, that he offers us neither a thorough documentary nor a straight-forward celebration of the art, shown on its own terms for its own sake. We are taken down the byways of the social history of the times, tramping along the road from Aldermaston, reading *Private Eye* and the *International Times*, gazing at Christine Keeler, mocking Harold Macmillan, or Harold Wilson as the case may be, listening to the Beatles and The Who, sitting in at Hornsey.

And as we browse, so we find ourselves chewing on the art – *tachisme*, or "action painting"; colour-field abstraction; Pop painting, hard-edge and optical; New Generation sculpture and incipient conceptualism. So again we are deflected back to the documentary, to the places and the circumstances, to the loose and shifting affiliations and interests of artists throughout the period. Back we go to the Royal College; the studios and bomb-sites of Notting Hill of the late 1950s; and to the wharfs and warehouses of Saint Katherine's Dock ten years on. The photographs in particular are marvellous, by Roger Mayne, Roger Coleman, Roger Freeman, Lewis Morley and Don McCullin – all those fresh, young, earnest, ambitious faces. I had expected such stuff to make me feel rather old. I can only say that I came away feeling not as old as all that.

It is all wonderfully indulgent and enjoyable, but the doubts remain, even so. The problem with any such survey is that it can never be at once hermetic and inclusive, particular and comprehensive. And with Sixties, saddled with that tendentious reputation and over-simple label, the problem becomes acute. What were "the Sixties", and when, if ever, did they begin? For anyone of my generation, born in the late 1930s and early '40s, they began, if ever, long before, with Elvis and Brando, Osborne, Kerouac and Traditional Jazz, Suez and Hungary. By 1965 or so, with satire and Profumo, the minicar and Jean Shrimpton's legs, they were over. The Sixties of Wilson, Flower Power, Protest, Prague and Paris, Sergeant Pepper and Peace & Love, were always another age, another world.

In eliding the two periods, Mellor rather misses the point, and the opportunity, both in sociological and creative terms. Nor does his basic premise hold: that here is a period now so neglected as to be in dire need of critical rehabilitation. Where has he been all these years? *Private View*, the Russell, Robertson, Snowdon encapsulation of his early period was published in 1965, and to turn its glossy, stylish pages today is hardly to move back into a vanished world.

Where are they now, Caro and Paolozzi, Freud and Auerbach, Jones and Blake, Caulfield and Hoyland, Riley and Hodgkin, King and Hockney? Well, still here, I suppose. The world has moved on, and while some artists have fallen into obscurity, following generations, of sculptors especially, have had their day in their turn. But, for all that, we are hardly addressing total eclipse.

Mellor speaks of "realigning parts of the hidden history of British art", and quite rightly draws attention again to the work of William Green, with his action painting; to Tony Messenger and his expressionist image of James Dean's crashed car; to Pauline Boty, who died young, with her definitive Marilyn, "The only Blonde in the World". But where are the kitchen-sink painters and where, in particular, is Bratby, with his paintings for the film of "The Horse's Mouth", with Alec Guinness as Gulley Jimson? And if there are to be the compendium and collage-based paintings of Boty, Blake and Phillips, where are those of Anthony Donaldson? And if the St Martin's sculptors are well represented, why is there so little of Paolozzi, and why nothing at all of the Royal College sculptors of the time, Hall, Panting, Plackman and the rest?

But we are all experts on the Sixties, and to carp too much is too easy. I wish that Mellor had confined himself to the earlier period, but, that said, I can only admit that he has most admirably caught the energy and sense of engagement that so characterised it. In those early, still comparatively innocent days, it was an energy directed above all upon the work itself and the doing of it. Hopes were that it would attract notice, that it would sell, that a name would be made thereby – but which young artist has not hoped as much? The important thing was that the work was done anyway, for its own sake, and today its essential integrity still shines out.

Quintessential Sixties: Brigitte Bardot by Gerald Laing, 1963; oil on canvas

Most of all is it apparent here in the "Situation" abstraction, shown by the Arts Council in 1963 – the first flush of maturity in the work of such as Gillian Ayres, the Cohen brothers, Hoyland, Law, Irwin, Mundy, Plumb, Smith, Vaux and Young. There they all were, European in sensibility yet responding to what was coming out of New York, looking about them but remaining quite themselves. They were professional enough – the professional ethic would come later. Mellor is quite right in this respect, that here is an authentic British school we have consistently underrated.

■ The Sixties: art scene in London; the Barbican Art Gallery, the Barbican Centre EC2, until June 13, supported by the Hulton Deutsch Collection; Apple UK; Atlantis European. David Mellor's excellent and substantial book on the exhibition – more than a mere catalogue – is published by Phaidon, £22

Theatre

Frank Pig Says Hello

Frank Pig Says Hello at the Royal Court Upstairs represents a type of play increasing its popularity in studio venues: a tight, two-handed psychodrama which asks actors and designer to be versatile, and in order to make itself understood urges the audience to sever contact with the rational world. But this makes deadly, wearisome and stultifying theatre.

Patrick McCabe's first play is an adaptation of his own fine novel, *The Butcher Boy*, midway between Patrick McGrath's *Spider* and Ian McEwan's *The Cement Garden*. It comes from the Gate Theatre, Dublin after winning – inexplicably – a Dublin "New Play" award last year.

The stage action centres on the mental life of Francie "Piglet" Brady, his daydreams and his psychoses. The play eschews plot, and opts for series of revisited and altered scenes from Brady's childhood intercut with episodes from later life. He turns out to be a sad child enslaved to fantasies from 1950s comics. He is disruptive at home and school, in league with a real-imaginary friend who becomes his alter ego in later life. His mother kills herself, his father dies and stays unburied in the parlour, while Brady takes a job in an abattoir.

The verbal interplay between past and present is a technical triumph for actors David Gorry and Seán Rocks, who deliver quick-fire Irish banter, but it makes woeful dialogue on stage: "I had news for Philip. *Philip, I have news for you.* News? *Yes, News.* For me? *Yes.*"

This play fails because, despite director Joe O'Byrne's ingenuity in switching between scenes, the play makes no concerted impact. No one scene *causes* another one; the logic of psychosis means that anything can happen at any time, and that removes suspense. The narrative moves quickly, but by telling everything, it prevents tensions, affections and events from being *shown* and acted out. The appearance of a character with a red handkerchief is preceded by "He had a red handkerchief in his pocket, and the crease on his trousers would cut your hand."

Alastair Muir

Wasted talent: David Gorry (top) and Seán Rocks

Elsewhere, the action leans on musical effects: Glen Miller's "Don't Sit Under The Apple Tree" recurs periodically to punctuate the scenes, as does Brady's own song, "I'm a little baby pig I'll have you all to know, with my little curly tale and my nose that turns up so."

The result is a confusing, difficult and annoying play which fosters a short attention span. Such works have altered the course of theatre. But this offers neither information nor moral challenge. It settles into an intellectual game. It makes its effect not in the situation which it creates for the characters, but in the smiles and scowls of the actors. It is a shame and a waste that the piece is so well acted.

Andrew St George

Royal Court Upstairs until April 3, then on a national tour through April and May

Opera in Genoa/**Richard Fairman**

Donizetti's 'Roberto Devereux'

The building of a new opera-house is such an expensive business and so fraught with potential problems that it is only the rash or the exceptionally well-funded who would be advised to contemplate it at all. In the last decade neither the Bastille in Paris nor the Muziektheater in Amsterdam met with an unqualified chorus of rapture.

The Teatro Carlo Felice in Genoa has won more harmonious applause. Strictly speaking, it is not a new building, as the shell of its predecessor remained after war damage in 1943. It has also taken the best part of 15 years to reach fruition even from the selection of the definitive project (the Royal Opera will know about this problem). But for an opera-house totally re-conceived and built afresh, amply spacious, lavishly appointed, it is difficult to think of a city luckier than Genoa.

As befits its original frontage, the interior of the theatre has kept in touch with classical features, albeit interpreted in a modern style. The auditorium (about 2000 seats) is unlike any other in Italy, or anywhere else for that matter. The side walls are fashioned to resemble Venetian houses with their balconies forming the traditional side boxes, looking down on the stalls as though over a central piazza – a novel idea, which gives the theatre a thoroughly Italian atmosphere of its own.

All this, however, is a mere counterpoint to its triumphant main theme: the excellence of the acoustics. According to a recent opinion-poll the sound qualities of the new theatre have won almost unanimous approval, and I am not surprised. The voices project with remarkable clarity. At the performance of Donizetti's *Roberto Devereux* which I saw on Sunday each singer had only to step to the front of the stage to ensure an enormous vocal impact.

What with *La Favorite* in Cardiff and *L'assedio di Calais* at London's Guildhall School of Music in the last fortnight, it would seem that Donizetti's serious operas may be inviting re-appraisal ahead of his bicentenary in 1997. *Roberto Devereux* is one of the most red-blooded of all. To succeed, a performance needs to work up a real head of steam in the royal show-down that crowns Act 2 and that is what Jan Latham Koenig achieved here, conducting the very respectable Genovese orchestra.

With the exception of the main character of Elizabeth I – the Polish soprano Jolanta Omilian, not a great voice, but dramatic and strong, able to stamp her authority on the opera – the roles were cast with some of the best of the younger Italian singers. Vincenzo La Scola was the stylish tenor Earl of Essex; the baritone Roberto Frontali sang a well-focused, firm Duke of Nottingham. Best of all was Gloria Scalchi, who showed no sign of strain at all in tackling the high mezzo part of Sara: clearly a notable talent.

Audiences in Genoa are liable to express their displeasure at modern productions, so there was no suggestion of updating this piece of Tudor historical fiction to the era of Thatcherite domination or Italian political corruption scandals. The staging was grandly traditional, with luxurious drapes and tapestries providing opulent spectacle for its Palace of Westminster locale. On its own terms it all worked splendidly and was a first-rate advertisement for a company happily settled in its new home.

With four years to go, the Royal Opera in London might also want to think about extending its repertoire to more of Donizetti's historical operas. The addition of *Roberto Devereux*, arguably the most exciting musically of the three, to its existing *Anna Bolena* and *Maria Stuarda*, would make a properly regal trilogy.

At the Teatro Carlo Felice, Genoa

Concert/**David Murray**

Arditti String Quartet

On Sunday the Purcell Room was packed for the Arditti's third recital (of four, concluding this Friday) in their survey of Schoenberg and his associates. Reporting on the first, Andrew Clements wrote here that their ultra-assured playing disclosed too little searching passion; but this time they warmed to their task at once, to much more exciting effect.

They began with Webern's sole "twelve-note" quartet, op. 28. With its spare, intricate, serenely unfolding patterns, it is not obviously a thing to stir the blood – but the composer's rigorous economy has potent charms. A performance so attentive as the Arditti's was to paragraphing and natural breathing, to balance and to the vital nodes of the music, cannot but re-create Webern's original passion for combining abstract inquiry with precise appreciation of string-sound. Everything *told*; it was a clairvoyant account, and one to remind us why Webern's later music struck a postwar generation of composers with more revelatory force than Schoenberg's own.

For contrast the Arditti threw in Webern's 1906 "Rondo", a recent exhumation and a loquacious, skittery exercise in chromatics which shows what Webern – and Alban Berg too – might have stuck at, had their individual passion for deeper organisation (and Schoenberg's own stern example) not propelled them onward.

Hearing Schoenberg's 1927 Third Quartet next made the point vividly. Post-tonal writing *could* aspire to a Beethovenian density, but only if its defining rules were as tough as Beethoven's period-tonal ones had been. This Third, like Bartók's Fourth, used to have a reputation for pursuing an ideal of the New all too single-mindedly (where their later quartets were supposed to aim at friendlier compromises). The Arditti performance proved that intelligent loyalty to the new plan can attain complete expressive conviction without cheating, without falling back upon stock Romantic echoes.

That bracing result was only slightly compromised, after the interval, by the Arditti's coolly rapturous account of Schoenberg's *Verklärte Nacht* sextet (with two distinguished guests from the Alban Berg Quartet). Might it be a precondition for playing later Schoenberg so well that the players must have fathomed earlier Schoenberg, post-Romantic but pre-"dodecaphonic", with such sympathy?

From the start of the 1899 sextet, where the Arditti turned the usual thick bass-swells into hard, doomy throbs, thus sharpening the drama of the piece immeasurably, it was clear that this "Transfigured Night" would be freshly transfigured. And it was: the later contrapuntal strife transparently argued, the apotheosis made luminous by professional care for the notes, without super-added sentiment. Before *and* after his single-handed musical revolution, Schoenberg earned just such searching executive attention – but inspired champions of the Arditti order have been few and far between.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Richard Dufallo conducts Radio Philharmonic Orchestra in works by Webern and Schoenberg. Tomorrow and Sat: Vassili Sinaiski conducts Netherlands Philharmonic in Tchaikovsky and Beethoven. Thurs, Fri: Riccardo Chailly conducts Royal Concertgebouw Orchestra in works by Donatoni, Keuris, Diepenbrock and others. Sun: Krystian Zimerman piano recital. Next Mon and Tues: Tokyo String Quartet (6718 345)
Beurs van Berlage Sat: Alexander Vakoulsky conducts Het Orkest in Walton's Cello Concerto (Godfried Hoogeveen) and Shostakovich's First Symphony. Sun afternoon: Netherlands Chamber Choir in works by Pizzetti and Petrassi (6270 466)
Muziektheater Tomorrow, Sat (in repertory till March 30): Glen Wilson conducts Pierre Audi's production of Monteverdi's Ulisse, with Anthony Rolfe Johnson. Fri (in repertory till April 9): premiere of Dutch National Ballet's new Tchaikovsky production, with choreographies by Balanchine and Edouard Lock (6255 455)

■ ANTWERP

De Vlaamse Opera Tonight: final performance of Gilbert Deflo's production of Falstaff conducted by Stefan Soltesz, with John Del Carlo in title role (233 6685)
deSingel Tonight: Mitsuko Shirai song recital. Fri: Bach concert with Il Fondamento. Sat and Mon: Emerson Quartet. Sun: Sylvain Cambreling conducts Orchestra of the Monnaie in Gerard Grisey's Les espaces acoustiques (248 3800)

■ BRUSSELS

Théâtre National Tonight: Bettina, Goldoni adaptation directed by Jean-Claude Berutti. Daily till Sat (217 0303)
Palais des Beaux Arts Thurs: Herbert Blomstedt conducts San Francisco Symphony Orchestra in Sibelius' Seventh Symphony and Bruckner's Fourth (507 8200)

■ GENEVA

Grand Théâtre Poulenc's Dialogues des Carmelites can be seen tonight, Fri and Sun, in a staging by François Rochaix conducted by Michel Plasson. The cast includes Marie McLaughlin and Felicity Palmer (311 2311)
Victoria Hall Tomorrow: Armin Jordan conducts Orchestre de la Suisse Romande in Frank Martin's Violin Concerto (Patrick Genet) and Musorgsky's Pictures from an Exhibition (311 2511). Thurs: Emmanuel Krivine conducts Orchestre National de Lyon at start of nine-concert Swiss tour (310 6611)

■ THE HAGUE

Danstheater Tonight: Opera Forum in Bizet's Pearl Fishers. Fri, Sat: Nederlands Dans Theater in choreographies by Ribeiro, van Manen and Duato (360 4930)
Dr Anton Philipszaal Tomorrow: Hague Philharmonic chamber music evening. Sun: Lev Markiz conducts New Sinfonietta Amsterdam in works by Haydn and Mozart (360 9810)

■ UTRECHT

Vredenburg Tonight: Vassili Sinaiski conducts Netherlands Philharmonic in works by Tchaikovsky and Beethoven. Fri: Alexander Lazarev conducts Bolshoy Orchestra. Sat: Ivan Fischer conducts Radio Philharmonic Orchestra in Schumann, Spohr and Dvorak. Sun afternoon: Jean Fournet conducts all-Debussy programme, with soprano soloist Françoise Pollet. Sun evening: Ton Koopman conducts Bach's St John Passion (314544)

■ ZURICH

OPERA
This week's highlight at the Opernhaus is the premiere on Sat of a new production of Massenet's Herodiade with Grace Bumbry, Cecilia Gasdia and José Carreras. Manfred Honeck conducts a staging by Gianfranco de Bosio (also March 23, 25, 28, April 1, 3, 17, 21, 24, 28). The repertory also includes Il barbiere di Siviglia tomorrow, Madama Butterfly with Yoko Watanabe and Francisco Araiza on Thurs, a ballet mixed bill on Fri and Sun afternoon, and the new Harnoncourt/Berghaus production of Der Freischütz on Sun evening (262 0909)
CONCERTS
David Zinman conducts concerts at the Tonhalle tomorrow and Fri, featuring music by Ives, Michael Torke and others. Sat: Emmanuel Krivine conducts Orchestre National de Lyon (261 1600). Next Mon in Opernhaus: Sandor Vegh conducts Camerata Academica in symphonies by Mozart and Schubert (262 0909)

■ VIENNA

OPERA
Staatsoper Tonight: Giselle. Tomorrow and Sun: Il barbiere di Siviglia, with Gloria Scalchi, Rockwell Blake and Enzo Dara. Thurs: Christoph von Dohnanyi conducts Adolf Dresen's new production of Siegfried, with Siegfried Jerusalem and Hildegard Behrens (also March 22, 28). Fri: Capriccio. Sat: Madama Butterfly. March 27: Seiji Ozawa conducts revival of Falstaff, with Benjamin Luxon (51444 2955)
Odeon Impressions de Pelléas, Peter Brook's Debussy adaptation. Daily till Sun (Wiener Festwochen 586 1676)
CONCERTS
Musikverein Tonight: Alexis Weissenberg piano recital. Tomorrow: Cleveland Quartet. Thurs and Fri: Pinchas Steinberg conducts Austrian Radio Symphony Orchestra in Wellesz's First Symphony and Mahler's Lied von der Erde (Linda Finney and Gösta Winbergh). Sat evening, Sun morning: André Previn conducts Vienna Philharmonic, with soprano Sylvia McNair. Sun evening: Elena Bashkirova plays Schumann's Piano Concerto with Tonkünstler Orchestra. Next Mon: Chick Corea (505 8190)
Konzerthaus Herbert Blomstedt conducts San Francisco Symphony Orchestra in works by Copland and Bruckner (tonight) and Dukas, Harbison, Sibelius and Stravinsky (tomorrow). Fri: Thomas Zehetmair trio. Sat afternoon and Sun morning: Vienna Chamber Orchestra plays Beethoven, Schubert and Tchaikovsky. Next Mon: Budapest Festival Orchestra plays Kurtag (712 1211)

■ WASHINGTON

KENNEDY CENTER
France Danse Festival dominates the next two weeks, with performances by leading French classical and contemporary dance companies, including Ballet de l'Opéra de Paris in a mixed bill of works by Petit and Lifar and Nureyev's production of La Bayadère . Alexandria Symphony Orchestra gives a concert tomorrow, followed by New York Philharmonic under Kurt Masur on Sat and pianist Ivo Pogorelich on Sun (202-467 4600)
Baltimore Symphony Orchestra Fri, Sat, Sun at Joseph Meyerhoff Symphony Hall: Eri Klas conducts Strauss' Don Juan and Tchaikovsky's Fourth Symphony. Next week: Swingle Singers (410-783 8000)
THEATRE
● The Makropoulos Secret: Karel Capek's Gothic fantasy. Till April 11 (Washington Stage Guild 202-529 2084)
● Uncle Vanya: a Chekhov production by Washington Shakespeare Theater. Till April 10 (Gunston Arts Center 703-739 9886)
● Summer and Smoke: Tennessee Williams' poignant drama. Till April 18 (Arena Fichandler's 202-488 3300)
JAZZ/CABARET
Blues Alley Jazz Supperclub Daily till Sun: McCoy Tyner Trio. Next Mon and Tues: pianist Marcus Roberts (1073 Wisconsin Ave, in the alley, 202-337 4141)
Barns of Wolf Trap Tonight: Lavern Baker, R&B. Tomorrow: all-female group of Irish musicians and step dancers. Fri: Asian American music. Sat: Banjo Breakdown, classic bluegrass from Virginia. Next Tues: Kris Kristofferson (1624 Trap Road, Vienna, Virginia, 703-255 1916)

European Cable and Satellite Business TV
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MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230

MONDAY
Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630

WEDNESDAY
Super Channel: Financial Times Reports 2130

THURSDAY
Sky News: Financial Times Reports 2030; 0130

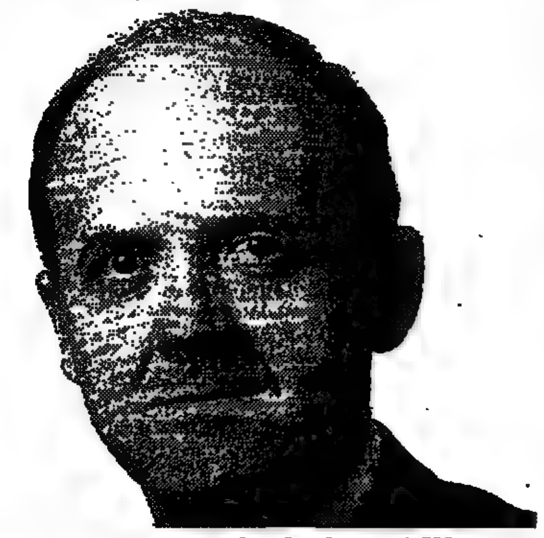
FRIDAY
Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530

SATURDAY
Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Watching the whirlwind

Martin Dickson, Christopher Parkes and David Waller on the battle for a car executive



Lopez: his presence has been a catalyst for change at GM

A bizarre tug of war between two of the world's leading automobile groups for the services of an idiosyncratic Spaniard who calls his staff "warriors" appeared to have ended yesterday in victory for Germany's Volkswagen and defeat for General Motors of the US.

GM announced in Detroit yesterday afternoon that 52-year-old Mr J Ignacio Lopez de Arriortua, its colourful head of worldwide purchasing, had definitely quit – apparently to take up a contract of employment with Volkswagen – after five days of wavering between the two companies.

However, a bemused Mr Jack Smith, GM's chief executive, told a news conference, scheduled to announce that Mr Lopez was staying in Detroit, that "it is not clear to me what his intentions are, or where he is at the present time."

Volkswagen had spent weeks carefully wooing Mr Lopez, but GM fought a furious last ditch campaign to persuade him to stay, including an offer of promotion to executive vice president of GM and the presidency of its North American automotive operations.

But, despite the promotion and entreaties from tearful members of his purchasing team, Mr Lopez decided to leave. GM said yesterday that factors in his decision included his family's desire to return to Europe and a GM decision not to build a new kind of super-efficient manufacturing plant, championed by Mr Lopez, in the Basque region of Spain from which he hails.

Whatever the factors prompting the departure, such an intense battle over a man who just a year ago was unknown outside the automobile manufacturing world illustrates how VW and GM's North American operations share some serious problems in common, notably bloated cost structures.

Mr Lopez, who was head of parts purchasing for GM Europe, based in Russelsheim, West Germany, between 1988 and 1992, was a key member of the team which turned GM Europe from losses into one of the world's most profitable vehicle businesses – and a stark contrast to the company's core North American operations, which have lost $12bn over the past two years.

He radically altered GM's relations with its European suppliers and shifted a large quantity of work from high cost German parts companies to cheaper manufacturers in other parts of the region. GM ended up with one of the lowest cost bases of any European assembler. In May last year Mr Smith, a former head of GM Europe, summoned Mr Lopez to Detroit to do the same in North America as part of a belated restructuring which also involves the closure of 21 plants and loss of at least 75,000 jobs over the next few years.

Mr Lopez set about the job with gusto. He infuriated some of GM's outside suppliers by insisting that they slash their prices by 20 per cent or more. He initiated a system where hit-squads, so-called Picos teams, went into parts factories inside and outside GM, looking for ways to improve production methods.

Critics argue that his cost-cutting demands could endanger the quality of some GM parts, or discourage suppliers from carrying out research and development with the company. But Mr Lopez and his supporters point out that he has been offering much longer-term contracts to those parts companies which can meet GM's quality, service and price specifications.

Whatever the truth, his campaign has already saved GM hundreds of millions of dollars and his presence in Detroit has been one of the most powerful catalysts for change inside the slow-moving, bureaucratic company, sending a powerful signal to employees and suppliers alike that it is deadly serious about its restructuring. With an engaging smile, and in broken but passionate English, he has repeatedly warned the American motor industry that western industrial society risked defeat at the hands of the Japanese.

"We must transform the Western ability to create intelligent excuses into positive creativity," he declared in a speech earlier this month, taking a swipe at suppliers who complained he was making impossible demands of them.

His personal idiosyncracies have added to the impression of fundamental change. For example, one of his first actions on arrival in Detroit was to issue staff with a booklet describing his preferred "warrior diet," which eschews "poisonous" sugar and potatoes and encourages the consumption of only fruit for breakfast.

However, the Lopez revolution is a long way from completion – he was planning over 1,000 Picos workshops in suppliers' plants this year, and over 1,300 in GM ones – and his departure for Volkswagen after only 10 months in the job will almost certainly slow the momentum of the company's reforms.

Volkswagen, for its part, is in urgent need of fundamental reform and Mr Ferdinand Piëch, chief executive since the beginning of the year, is expected to announce Mr Lopez's appointment as part of a radical upheaval of senior personnel, to be announced after today's supervisory board meeting.

Mr Piëch already has two former, but more junior, GM managers on his staff at VW's Audi subsidiary. Mr Erich Schmitt, a one-time member of Mr Lopez's cost-cutting team was recently appointed director in charge of buying, finance and organisation.

Mr Jürgen Gebhardt, Audi's new production director, was poached from Adam Opel, GM's German subsidiary, where he was plant manager at the low-cost showpiece works in Eisenach, eastern Germany. Opel has dented VW's self-esteem by stealing market leadership in the former GDR – even though the VW brand was recognised by more than 60 per cent of former east Germans before reunification, compared to less than 30 per cent for Opel.

VW is thought to have made an operating loss of DM1bn in its core VW division last year and is woefully inefficient compared to other European and Japanese volume manufacturing competitors.

Whilst its rivals began rationalising over a year ago, VW is only now taking the hard decisions which will enable the group to weather what Mr Piëch last week termed the worst downturn in the German motor industry since 1945.

VW needs to drastically reduce its cost structures over the next 12 to 18 months.

Plans to trim the 276,000 workforce by 36,000, or 13 per cent over 5 years, look insufficiently trenchant to deal with VW's cost problem.

VW has also begun to realise that it needs to reform its relationship with its suppliers. Audi's Mr Schmitt recently said the group had set the goal of reducing the prices of components purchased from outside suppliers by 25 to 30 per cent over the next four to five years.

Mr Lopez could, therefore be the change agent VW needs - although his mercurial, Hamlet-like behaviour over the past five days might make Mr Piëch wonder just what kind of one-man whirlwind he is getting.

Joe Rogaly

Mr Major's talking head

When Mr Norman Lamont rises to deliver the Budget this afternoon, watch Mr John Major. You should be attentive to what will be one of the remarkable phenomena of the week. Observe: words will come out of the chancellor's mouth, but you will not see the prime minister's lips move. Mr Lamont's jaw will waggle up and down, but there will be no indication that Mr Major's hand is up the back of his jacket.

You may be forgiven for thinking that your eyes are deceiving you. The Budget will be read out as if by Charlie McCarthy, America's most famous wooden effigy; the ventriloquist will be Mr Edgar Bergen, aka John Major. Some chancellors – Lord Lawson springs to mind – never sat on their prime ministers' knees, although even in the latter's case there was always something he wanted in the Budget that Lady Thatcher didn't, and vice-versa. Some rely for their jobs, their reputations, their very political existence, on the whims of their immediate boss. In the present instance the dependence is two-way: Edgar Bergen desperately needs Charlie McCarthy to perform well; Charlie cannot perform without him.

Old hands will protest that "It was ever thus". Chancellors meet prime ministers once a week or so for "bilaterals". It is always important that the prime minister of the day concurs with the strategy for managing the economy put to her or him by the chancellor. It is therefore unfair to Mr Lamont to argue that he is mouthing Mr Major's policies.

Possibly. The truth is that there is something more important at stake this afternoon than whether this particular chancellor remains in office until this summer, next summer, or the one thereafter. Today's Budget is regarded by Downing Street as a part of the slow and necessarily painful process of putting Britain's administration back together again. It is intended to help reconstruct the authority that was shattered on Black Wednesday. For Mr Major and his chancellor have yet to rebuild the nation's confidence in their ability to do the jobs they are paid to do. If their remuneration was performance-related, and assessed according to public esteem, they would be living on social security.

The pair of them are in the same boat, up the same creek, searching for the same paddle. If, as many believe, the chancellor irretrievably lost his honour when he failed to resign on that fateful Wednesday, what of the prime minister? Both had defended Britain's position in the exchange rate mechanism with equal fervour, Mr Major because he believed in it, Mr Lamont because he had to. Both had spoken of the irresponsibility of abandoning the fixed exchange rate, right up to the moment that sterling was ejected from the mechanism. Some of their ministerial colleagues believe that the chancellor should have offered himself as a sacrifice, thus deflecting criticism from Mr Major. We do not live in such heroic times.

The prime minister can control the fiscal stance of today's Budget. Image is Mr Lamont's job

The prime minister does of course have the authority to replace Mr Lamont, but he remains to be convinced that it would be politically profitable for him to do so. It is probable that the success or failure of the chancellor's current energetic efforts to win a sympathetic hearing will weigh at least as heavily for or against him as the actual contents of today's Budget. The prime minister can influence or control the fiscal stance. He can pull the strings on that. Image is another matter. Only the chancellor can turn himself into an effective persuader.

It is becoming fashionable for politicians to recognise that that is what they need to do. President Clinton, learning the lesson taught with such brilliance by President Reagan, is showing that he understands that direct communication with the electorate, always a necessary part of democratic government, is indispensable in the age of television. Mr Douglas Hurd, one of the British government's few skilled practitioners of electronic persuasion, spoke last Friday about a growing tension between "achievers and critics".

The burden of the foreign secretary's remarks was that the critics, especially when they "hunt as a pack" create "stereotypes which can lead us astray from reality". Mr Hurd is right. Britain's media gather as baying hounds upon this prey or that, nearly always collectively. The foreign secretary's remarks also suggest that doers are of greater importance than those who merely carp. As a former doer, but now one of the latter breed, I bow my head in acknowledgement – adding only that when achievers make a mess of things, we critics get inordinate enjoyment out of feeding on their flesh.

That is what has happened to the government. Its more sanguine ministers believe – hope – that the pack will start baying a different tune when economic recovery is seen to be underway. The little matter of the bill to ratify the Maastricht treaty must also be over and done with. As to that, the government's chief whip, Mr Richard Ryder, accepts that he cannot cobble together a majority unless Labour abstains. Procedural motions, and amendments for which Labour proposes to vote in favour, will be lost. But Labour needs to abstain on the big issues, in order to maintain its own unity.

You will see from this summary of its position to date that the government has positioned itself on a ladder of achievement, upon which it aims to climb away from the critics' jaws. The first step was last autumn's public spending statement. The second is this afternoon's Budget, the third the passage of the Maastricht bill. Economic recovery is the final leap.

It will not be so easy as that sounds. The autumn spending controls were relatively painless; it is the current search for long-term cuts that is truly difficult. The economic recovery will have to run long and strong before the fear of unemployment is eliminated from Conservative voters' minds. The Maastricht bill remains a gamble.

Tomorrow's verdict on the Budget, almost certainly favourable, will be premature. As the late Iain MacLeod used to say, you should not judge a Budget until the finance bill is published. That is about a month away. Meanwhile, to save himself, and his mentor, Charlie McCarthy will have to keep talking, swivelling his head round to whoever will catch his eye.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Economic reasoning is faulty

From Mr Robert Solomon.

Sir, Lester Thurow's Personal View (March 10) on the need for the expanding US economy to "decouple" from its trade partners contains some remarkably faulty economic reasoning.

He argues that a surge in manufactured imports would create increased unemployment as the US "locomotive" moves ahead faster than other countries. Yet that surge in imports would depend on a much larger surge of demand and gross domestic product in America.

Imports of manufacture constitute only 5 per cent of America's GDP. Thus to get Thurow's $45bn surge of such imports, GDP would have to move ahead by $900bn or 15 per cent. That would create many more new jobs than the $45bn of additional imports would displace.

This is rather obvious first-level economics, and it is surprising that the Dean of the Sloan School at MIT needs this lesson.

Robert Solomon,
The Brookings Institution,
1775 Massachusetts Avenue, NW,
Washington DC 20036, US

Ford chief spells out how UK government must aid industry

From Mr Ian McAllister.

Sir, In your leader about manufacturing on March 8, you said that the answer to previous difficulties lies partly in government policies but also in the hands of industrialists. This is true, and for our part at Ford we have been working with some success to improve our basic design, engineering and assembly capabilities. Also, we have been investing in new products right through the recession. Our aim, along with many other manufacturers, is to provide more exciting, safer products, with higher quality and lower costs.

From the government, in the near term, we hope that in today's Budget there will be no measures that will stifle the first indications of recovery in car sales, and that revisions to company car tax will not result in tax bands that would continue to cause distortion of the market at threshold levels.

More fundamentally, we believe that the government should support industry through the provision of better scientific, technical and management education. Further, we consider that any education or training programme should recognise the importance of developing professional standards, at all levels of industry. Government should also assess the merits of establishing a new science and engineering college with the ambition to earn a reputation for excellence similar to that of universities such as MIT in the US.

The government can help industry by creating the right economic environment. This includes stability in policies, investing in the nation's infrastructure, the creation of a true common market in Europe, and a conclusion of the Uruguay Round.

With respect to investment from Japan, Britain should examine carefully whether it is likely to strengthen or weaken the base of vital research and engineering skills in this country. For example, Japanese cars produced in the UK, together with the components they contain, are largely designed and engineered at centres in Japan.

Finally, the powerful long-term causal links between manufacturing success and success in key service businesses should not be forgotten. The huge success of Japanese manufacturing exports of the last decade made possible the dramatic growth of Japanese banking around the world; not the other way around.

Ian G McAllister,
chairman and managing director,
Ford Motor Company,
Brentwood, Essex CM13 3BW

Only one justification for no tax increase

From Prof Douglas McWilliams.

Sir, I hesitate to question Mr Samuel Brittan's analysis, though my hesitation is not increased by the fact that he can pray in support six of the government's allegedly wise men. The quality of an economic judgment seems to be inversely proportional to the number of economists putting it forward simultaneously – witness the 364 co-signatories of the 1981 letter to the Times or 4,000 ex-employees of the East German ministry of economics.

But Mr Brittan's argument that a tax increase should be delayed (Economic Viewpoint, February 25) appears to be based on an inconsistent theory of expectations formulation. If a tax increase is considered to be probable, in the real world most people will take this into account in their behaviour even before it is announced. So the case for delaying an inevitable tax increase is weak.

The only justification for Mr Lamont avoiding a rise in taxes in his Budget is that he may feel that taxes will not need to be raised at all. If he feels confident that Mr Portillo's review will deliver sizeable cuts in public spending, this would justify a neutral Budget, leaving the revised levels of public spending to be announced in November.

While the government continues to borrow £1bn a week, it remains subject to the moods of the financial markets. And these markets have tended not to give Mr Lamont the benefit of the doubt. Their confidence in UK economic prospects is only likely to revive when the chancellor puts forward a programme to eliminate public borrowing based on something more credible than Ms Rosy Scenario (who made an unwelcome reappearance in the Autumn Statement). Such a programme would improve the trade-off between interest rates and the exchange rate and create scope for further cuts in interest rates if the recovery fails to gain momentum.

Douglas McWilliams,
chief executive,
Centre for Economic and Business Research,
18 Kent Terrace,
Regents Park, London NW1

Not so much tropical rainforest

From Prof Ghillean T Prance.

Sir, I should like to correct the alarmingly optimistic figure for the area of this planet which is covered by tropical forest, given in your article, "FAO cuts estimate of tropical forest loss" (March 9). This states that 37 per cent of the planet is covered in tropical forest.

It states correctly that, according to FAO figures, 1.75bn hectares of tropical forest remain: however, this is not 37 per cent of the planet. It is 3.4 per cent of the total area of the planet and 11.6 per cent of the total land surface of the planet.

More alarming for those of us trying to preserve the biodiversity of the species-rich tropical rainforest is that it has now been reduced to 0.83bn hectares, or only 5.6 per cent of the total land surface.

There is no room for complacency if we are to preserve this ecosystem which is so vital for the functioning of our planet.

Ghillean T Prance,
director,
Royal Botanic Gardens,
Kew, Richmond,
Surrey TW9 3AB

Perfectly clear

From Mr Innes Hamilton.

Sir, Your comment ("Major must persevere", March 10) that "Paddy Ashdown wants his party to be noticed" and use of the word *cynically* were regrettable and unworthy.

The Liberal Democrats have made it perfectly clear that they will use every endeavour to obtain ratification of the Maastricht treaty. Equally that they will do all possible to ensure that the social chapter is included. Nothing could be clearer than those aims and I am sure they will vote accordingly. It is a pity that others are less clear and constructive.

Innes Hamilton,
Christchurch Road,
Virginia Water,
Surrey.

Reality of PowerGen pay talks

From Mr Tony Cooper.

Sir, The headline to your report on PowerGen's pay offer ("PowerGen grants pay deal of up to 5 per cent", March 12) talked the level of the settlement up to 5 per cent but, as was correctly reported in the latter part of the story, the reality is different. Such exaggeration damages the process of open and fair negotiation.

The offer which is now to be subject to a ballot of the trades unions' members in PowerGen is for a 2.5 per cent increase in basic salaries for all staff. A further one-off lump sum bonus in recognition of productivity improvements is attached to the offer. Both sides recognise the substantial nature of such "improvements", which have come from staff reductions of about 1,000 in the last year and nearly 4,000 since privatisation.

Although the government does indeed still own 40 per cent of PowerGen it has maintained a consistent refusal to take an active role in the company's affairs (even when the coal crisis may have justified it). I have no hesitation in defending the freedom of both sides in the negotiations to reach an agreement tailored to PowerGen's circumstances.

Tony Cooper,
general secretary,
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FINANCIAL TIMES
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Tuesday March 16 1993

German pain postponed

WITH BROAD smiles and much fraternal back-slapping, Germany's political establishment has demonstrated that its famed consensual model lives on. Many observers feared that Chancellor Helmut Kohl's solidarity talks were an excuse for inaction in addressing Germany's mounting fiscal problems. But this weekend's package confounds them by raising income tax 7.5 per cent, through a reintroduced solidarity surcharge from January 1 1995, and by increasing public borrowing for east Germany by some DM60bn. Yet these actions do not solve Germany's problem. For while the agreement brings some clarity to the fiscal muddle, it does so mainly by illuminating the fact that Germany's structural budget deficit is here to stay.

The solidarity pact must be judged first in political terms. The minds of both main political parties have been concentrated by the large falls in their combined vote in the recent Hesse municipal elections. On these terms, the cross-party deal, finalised in 2½ days of fraught negotiations, was an admirable success. Mutual compromises have enabled the government to squeeze from western Germany's federal and state budgets the extra DM110bn it needed to finance transfers to the eastern states in 1995. It also rebalances the division of tax revenues between the federal and *länder* governments.

Economic fudge

Yet it is unlikely that the Bundesbank's medium-term fiscal fears will be allayed by Mr Kohl's agreement, even if the bank is convinced that falling output and moderating western wage demands justify faster rate cuts now and is therefore prepared to bow to increased political pressure to accelerate the slow easing of short-term interest rates that has been under way since last September. Good politics the pact may be, but in economic terms it bears all the hallmarks of an unsatisfactory and misconceived fudge.

Judged as a solution to the problem of sharing the burden of transfers to the east, it is unbalanced, vague and almost certainly insufficient. Almost all of the extra financing will come from higher taxes and increased borrowing, while Germany's fat welfare budget will remain untouched. Half of the modest DM9.2bn in spending cuts comes from concealed tax increases achieved by cutting tax allowances; another DM1.8bn is dubiously expected to come from reduced welfare fraud; and at least DM1bn in spending cuts will come from sources as yet unspecified.

The package is expected to reduce the federal budget deficit to DM63.8bn in 1995, DM7.8bn higher than previously forecast. But the projections are based on the overly optimistic assumption that output will grow by 3 per cent in both 1994 and 1995, despite the higher taxes and long-term interest rates that the package is likely to inflict on west German industry. If the economy recovers at a more realistic 2 per cent a year, then the total 1995 deficit, forecast at 4½ per cent of GDP, looks decidedly structural.

Deeper problem

The structural deficit is evidence of a deeper problem. Domestic demand in the east now exceeds eastern production by 87 per cent. But rather than trying to close that gap, the pact merely finds a less-than-satisfactory means of financing it. Productivity in east German manufacturing industry is 70 per cent below that in west Germany and engineering wages already stand at 70 per cent of those in the west. But rather than trying to close the gap between eastern wage costs and productivity, the pact merely finds ways to continue subsidising east Germany's "core" but unprofitable industries.

The sad fact is that German-style consensus, while adept at tinkering with the symptoms, is still failing to solve the underlying problem that is undermining the east German economy – the rapid pace of convergence of wages between the eastern and western *länder*. And while the government celebrates its success, IG Metall, the engineering union, continues to plan a series of strikes next month in support of a 26 per cent pay rise for those of its eastern members who still have a job. Unless this process is arrested, and the threatened strikes are averted, then Germany's solidarity pact could quickly unravel.

How not to run the BBC

THIS WEEK, the governors of the BBC meet in an atmosphere of crisis. Following revelations about the unseemly pay contract of the corporation's director-general, there are widespread calls for resignations and dismissals. The board is badly split.

Déjà vu. In 1987, one director-general was dismissed in controversial circumstances. Four years later, a second's desire for a further term of office divided the board and resulted in a two-year fudge in which the BBC was hobbled with a director-general and a director-general-in-waiting, Mr John Birt. It is now Mr Birt's future which sets governor against governor.

Given that the single most important managerial task of the governors is to select and then monitor the progress of the director-general, such an accident-prone system cannot be said to be working well.

The problem is that the governors do not know what they are there for. A miscellany of academics, artists, Whitehall types and business executives, the law says they are responsible for ensuring that parliament's wishes, enshrined in the corporation's constitution, are fulfilled. In its clearest sense, their mission is to regulate, standing between politicians and broadcasters. In practice, governors make their influence felt by controlling the most senior appointments and discussing any issue which takes their fancy.

Blurred boundaries

This has meant that the governors do not do much well. Their ability to supervise standards of taste has been judged so defective that other bodies have entered the vacuum. Individual governors openly differ on whether they should exercise the right to view programmes before transmission.

On the managerial front, they have tried to work more closely with management, holding more joint meetings. It is not surprising that in this atmosphere of blurred boundaries, nobody has been precise about who should do what. Do all top appointments have to be by open competition? Some think so, but many have not been. Who determines the terms and conditions of senior managers? The whole board? A remuneration sub-committee? Whoever the chairman happens to invite in for a drink?

It is against this background that the affair of Mr Birt's contract must be judged. That he made a serious misjudgment in believing he could be the corporation's first freelance director-general is beyond doubt. To the ordinary citizen, these accountancy fictions, with their unidentified secretaries and glamorous-sounding expense accounts, are a fiddle.

Not indispensable

The mitigating circumstances are that his tax arrangements were legal, approved by the Inland Revenue and accepted by his employer. Mr Birt has apologised, put his arrangements in order and should now be allowed to get on with the job. He is not indispensable to the future of the BBC, but it is primarily his vision which informs the case the BBC has made for a new royal charter. Most who wish to see him ousted would prefer a more comfortable notion of the BBC's future, but this is fantasy. The real question about Mr Birt's vision is whether it is radical enough.

The other reputation on the line is that of Mr Marmaduke Hussey, chairman of the board of governors. Mr Hussey's achievement has been to find Mr Birt and to back him, against much mutiny, in the pursuit of a more efficient and accountable BBC. He has helped put the BBC in a stronger political position than it has enjoyed for decades.

But Mr Hussey is a schemer, a Fleet Street alley cat. He has alternately charmed, bullied and excluded governors unsympathetic to his purpose. This is not a style appropriate to the reformed mode of governance the BBC itself envisaged in its recent response to the government's green paper. That document calls for less meddling, clear structures, defined reporting lines, consistently monitored standards and effective mechanisms for complaint.

Mr Hussey has performed a public service in kicking the BBC towards a more realistic view of its future. The government should now ask him to prepare, in an orderly fashion, to hand over to a successor.

Assault on the state's frontiers

The privatisation of French industry will accelerate sharply if, as expected, the conservative parties form the next government, writes William Dawkins

The French state's industrial frontiers have slowly, sometimes painfully, receded over the past decade as economic deregulation has started to take root in what has long been one of Europe's most interventionist countries.

The conservative team expected to succeed the Socialist government after the general election at the end of this month is preparing to surrender yet more of the state's role as a manager and owner of industry. Just how far the alliance of the Gaullist RPR and centre-right UDF is prepared to let go will set the tone for French industry policy for the life of the next government.

Conservative advisers are putting the finishing touches to an ambitious privatisation programme to raise up to FFr200bn (£25.1bn) over four to five years according to the most optimistic opposition plans. It will mark a sharp acceleration of the partial privatisations under the Socialists, worth FFr16bn last year, and aims to complete the privatisations started by the conservatives during their last government from 1986 to 1988, when FFr120bn worth of state companies were sold.

All state-owned banks, insurers and industrial companies will be on the block, promises the opposition. The candidates for the first round of sales include Elf Aquitaine, the oil group; Rhône-Poulenc, the chemicals company; and Banque Nationale de Paris, the second-largest state-owned bank. All three of these groups are already partly privatised and performing well. One of the three big state insurers, UAP, AGF or GAN, is also expected in the initial batch of sales.

The government will choose the rest of the disposals from the uncompleted privatisations on its 1986 hit list of 65 companies, of which 29 were sold. The list includes stars such as Pechiney in aluminium and packaging, which is already quoted on the stock market. But there are already some industrial headaches like Bull, the loss-making computer group which last week announced a FFr4.7bn loss for 1992, and Thomson, the struggling electronics company.

There will also, say opposition advisers, be one important new candidate not on the 1986 list: Renault, the carmaker, which three years ago started on the road to privatisation by exchanging minority stakes with Volvo, the Swedish automotive group. The privatisation of Renault would be an important step in the decline of interventionism because the group has been used as a crucible of industrial and social policy experiments by successive postwar governments.

"We have no doubt that Renault will come on to the market, perhaps after the first wave of new privatisations. It is highly symbolic and also happens to be one of the state's best assets," says Mr Willy Douin, president of CS First Boston France, the Paris branch of the Swiss merchant bank.

The actual candidates will be published in a privatisation law, to be presented to the national assembly in the spring. Partial privatisations of state utilities such as France Télécom and Electricité de France are also under study, although these are thought to be a few years off.

The threat of recession facing the French economy means this round of privatisations will be more difficult at first than the last round of wholesale sell-offs. This took place over an economically euphoric 14 months, ended by the 1987 stock market crash and the conservatives' political defeat.

Yet the signs are that the new sell-off candidates could pass more completely into the private sector than the last lot. In many cases, the former right-wing government managed to keep some control of privatised companies by selling stakes in them to so-called *noyaux durs* or hard cores of companies owned by Gaullist RPR party supporters.

The Socialists tried to dismantle these groups by enlarging the ownership of state companies, although they maintain the principle that some kind of national control is needed. The Socialist-appointed chairman of Renault, Mr Louis Schweitzer, for example, argues that his company must remain majority French-controlled, if privatised.

But this time, it will be harder to press-gang *noyaux durs* into action. Corporate France has less spare cash in these tough economic times than in the late 1980s. The growth in foreign investment in French companies means their boards now have to concentrate more on increasing earnings than keeping on the right side of their political friends. Some *noyaux durs* members received a poor return on their investments in the last round of privatisations – both in profits and power – and so are cautious over being drawn in again.

Big French corporate investors in new privatisations, therefore, will be motivated more by industrial, rather than political logic. One example is Alcatel Alsthom, the privatised telecommunications and engineering group, whose chairman, Mr Pierre Suard, is close to the RPR. He says he is interested in taking a stake in France Télécom, the state telecommunications operator.

Other privatisation candidates might use this opportunity to speed up their strategy of seeking share exchanges with foreign partners, like BNP and its existing German partner, Dresdner Bank.

French privatisation: stepping up sales

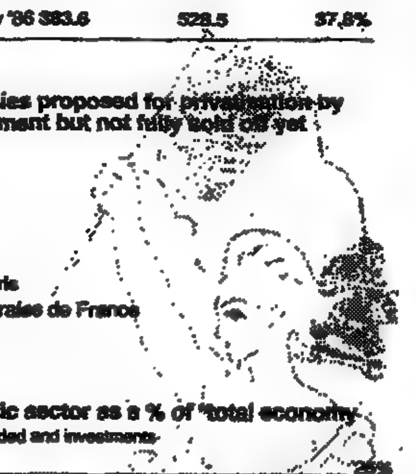
Stock performance of French privatised companies

	Date of privatisation	Share price at privatisation	Current Share price	Absolute performance
Saint Gobain	Nov 1986	310	541	74.5%
Alcatel-Alsthom	April 1987	323	656	103.1%
Havas	May 1987	187	471	151.9%
Société Générale	Jun 1987	407	654	60.7%
Suez	Sept/Nov 1987	261	305	16.9%
Paris CAC Générale	Nov '86	383.6	528.5	37.8%

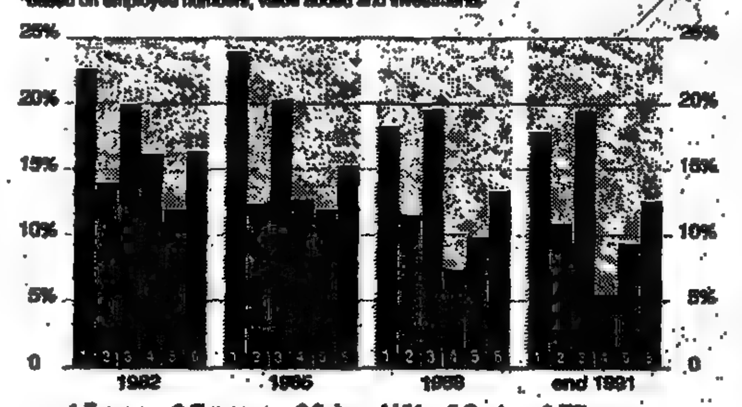
Source: CS First Boston, France

Some of the leading companies proposed for privatisation by 1986-1988 right wing government but not fully sold off yet

- Bull
- Pechiney
- Rhône-Poulenc
- Elf Aquitaine
- Thomson
- L'Union des assurances de Paris
- Groupe des Assurances générales de France
- Banque nationale de Paris
- Crédit Lyonnais



Economic weight of the public sector as a % of *total economy
*based on employee numbers, value added and investment



Source: Centre Européen de l'Entreprise Public

Despite the problems, few doubt that the privatisations will get off the ground, cautiously at first because of the fragility of the Paris stock market's recovery since the beginning of the year, but faster as the economy picks up.

The programme is likely to be successful for two reasons. First, the political will is there. The new government is likely to get a record majority in the national assembly and should be able to impose its policies with ease.

Second, there is more than enough pent-up demand. France's top industrial companies are far less represented on the Paris stock exchange than their competitors are on their domestic markets. The capitalisation of the Paris stock market is equivalent to just 30 per cent of gross domestic product, less than half the 65 per cent of US GDP represented by US stock markets, estimates CS First Boston.

On the political front, Mr Edouard Balladur, who as former finance minister masterminded the last round of right-wing privatisations and might be the next prime minister, believes the process is essential.

He argues that it will make it easier for former state sector companies to raise capital independently of the cash-strapped state; that it will encourage more efficient management; and that the proceeds from the programme will help the government fund the tax cuts needed to stimulate France's flagging economy.

Privatisation is prominent on the joint RPR-UDF election manifesto, where it commands more of a consensus among an otherwise divided coalition than other economic matters, such as monetary policy. This is no surprise, for Mr Balladur's sell-offs were one of the few real successes of the last conservative government.

On the demand side, the opposition has several reasons to be optimistic. First there is the FFr1,300bn of mainly private investors' savings now sitting in lightly taxed Sicav money market funds.

A lot of that cash is likely to be seeking a new home in future, because the ceiling below which Sicav disposals are tax-free was reduced in January from FFr317,000 to FFr158,000 a year. For the first time in three years, the total invested in Sicavs has started to fall, also helped by the launch of a tax-exempt equity savings plan. A fall in interest rates, plus the extra tax breaks for long-term private investments promised by the opposition, would push more of French households' savings into equities.

Foreign institutional investors will be another big source of demand, if they continue to increase their exposure to the French stock market.

According to the Banque de France, 28 per cent of French publicly quoted shares are now in foreign hands, up from 21 per cent two years ago. If foreign investors believe, as most analysts in Paris do, that the opposition will be able to hold the line on the "franc fort" policy, they will have a clear interest in buying more shares in well-managed privatisations on the brink of recovery.

What is unclear is just how much the new government will be able to curb the temptation to meddle in its newly privatised companies. "French industry is still run by members of a small elite who move in and out of industry and politics," explains a US securities analyst.

He adds: "They need to purge the system, because it is so alien to what their competitors are doing, but they are not ready to let go."

Here the opposition is divided both on generational lines and between the free-market UDF and the more interventionist RPR. Some of the older leaders still believe in a degree of state intervention, while young reformers, among them Mr Alain Madelin, former UDF industry minister, are strong upholders of free markets.

An important test of whether or not the urge to intervene has receded will be just how many Socialist-appointed public sector company chairman the conservatives decide to throw out after the election. At least half a dozen bosses of state companies will be particularly anxious about the first few weeks of the next French government.

Prepared for a purge

French opposition leaders will be tempted to celebrate their likely election victory at the end of this month by purging state industry of the company chairmen most loyal to the Socialists.

It might seem curious that this is possible in a modern and competitive European economy, yet there is pressure on both sides of the right-wing RPR-UDF alliance to put supporters of the new government at the head of state companies before they are privatised.

There is also the urge for revenge. The conservatives have not forgotten the wholesale management changes staged by the Socialists during the nationalisations after their 1981 election victory. Heads have rolled, though not so many, after each change of power since then.

The prospect is said to have brought decision-making in some state groups to a near halt, for fear that a new chairman might follow a different strategy.

Foreign partners are worried, notably Volvo, which is keeping its fingers crossed that there will no change in the management of Renault, the government-owned carmaker in which it holds a 20 per cent stake.

Mr Edouard Balladur, tipped as a leading prime ministerial candidate for the conservative RPR, has told his team that he does not want a witch-hunt. He is sensitive to the fact that French state industry's foreign competitors suffer no such political risk.

Whether moderates like him get their way depends on the election results. Even though the outcome is not clear, the vulnerable company chiefs are:

● Loïk Le Floch-Prigent, chairman of Elf Aquitaine, the oil group which is France's largest company in terms of turnover.

The right is thought unlikely to want to leave a close friend of President François Mitterrand in charge of this strategically important company. The previous conservative government kicked Mr Le Floch-Prigent out of his last state industry job, as chairman of Rhône-Poulenc in 1986 and might drop him again, to the applause of his enemies at the influential Treasury, but possibly to the alarm of his private sector shareholders.

● Jean-Yves Haberer, chairman of Crédit Lyonnais, one of Europe's largest banks.

He is blamed for the bank's high-risk expansion and its exposure to embarrassing problems such as Hollywood's MGM studios, which have frustrated right-wing hopes of a quick privatisation for Crédit Lyonnais. Mr Haberer's close links with Mr Pierre Bérégovoy, the prime minister, count against him, though he also has highly placed friends on the right.

● Mr René Thomas, chairman of Banque Nationale de Paris.

His management is respected, but Mr Thomas, 64, is due to retire at the end of the year, offering the right a convenient opportunity to hand this important job to a supporter.

Shadows are hanging over the futures of Mr Gilles Ménage, a former chief of staff to Mr Mitterrand, who now runs Electricité de France, and over Mr Jean Peyrelevade, chairman of UAP, the biggest state insurer.

Also at risk are Mr Alain Gomez, the Socialist appointee who has run Thomson, the troubled electronics group for the past 11 years, making him the longest-surviving chairman of a state-owned group, and Mr Yves Lyon-Caen, chairman of the Crédit National bank and a close colleague of former Socialist prime minister Mr Michel Rocard.

William Dawkins

OBSERVER

Kerry's turn to roll

■ Who stands to lose the most from Australia's rejection of the conservative opposition parties in Saturday's general election? The answer is probably not John Hewson, the luckless conservative leader, but Kerry Packer, Australia's richest gambler.

In the past, Packer has made money under both Labor and conservative governments. But the latest election result means there will be no change in Australia's banking and media laws. That is bad news for Packer, who owns 10 per cent of Westpac Banking Corporation, and has recently acquired 5 per cent of Fairfax – Conrad Black's Australian newspaper group.

Packer would like to bid for both groups, but is prevented by Labor legislation which limits him to 15 per cent of each. He could have a tilt at Fairfax if he sold the Channel Nine television operation, but that would mean giving up control of Australia's top-rated tv channel, which is also a big money-spinner.

However, Packer has been dealt worse hands before and come up trumps. He is still showing a profit on his Westpac punt, and the underlying profitability at Fairfax suggests he isn't going to lose a fortune there. Nevertheless, it would be surprising if Packer were content to remain a passive investor for long.

Although Westpac doesn't want Kerry on its board, perhaps Conrad Black should hedge his bets by inviting him to join his Fairfax board. Even Black might feel happier with Kerry on the inside.

Blooming

■ It's Budget day and the "green shoots" are sprouting. Blackpool Pleasure Beach, home of the world's tallest roller coaster, reports that last weekend saw a record number of visitors through its turnstiles. Meanwhile, a colleague has received an unsolicited letter from North London estate agents Benham & Reeves saying they have lots of buyers for his house . . .

Name game

■ One of the puzzles about HSBC Holdings is why no high-powered image consultant has come up with a better handle. It's a funny name for one of the world's top 10 banks. Cast an eye down the list of the world's blue-chip lenders and one has to look a long way before finding a more forgettable name than HSBC Holdings. Apparently, there was once talk about rechristening Honkers and Shankers something rather airy-fairy like Trade Winds or Mercator. But that idea was soon shot down as a bit too racy.

If the powers that be can't think up anything else, and given that

two of HSBC's main banks are called Midland, it might even be worth renaming the group Midland Bank International . . . after a decent interval, of course.

Charity-speak

■ Some pretty improbable-sounding charities – such as the Solicitors Benevolent Association and the Girls Friendly Society – figure among those in The Henderson Top 1000 charities guide which has just been published by Hemmington Scott.

But there is no disguising the fact that it is increasingly difficult to differentiate big business from charity when it comes to jargon. One contributor to the guide enthuses about improvements in "donor base technology" but warns that "cold donor acquisition rates" are slipping below the threshold of commercial viability on first mailing.

Not sure what it means, but no doubt it is all in a good cause.

Twin feats

■ Not just one, but two feathers in its cap can be claimed by the outplacement consultancy, Coutts, a subsidiary of the DC Gardner Group.

The first – helping to find new jobs for about 1,400 ex-employees of the Bank of Credit and Commerce International – is a fair feat in itself, considering that no less than former CIA director Robert Gates publicly rechristened BCCI "the Bank of Crooks and Criminals International".

But the second achievement is surely greater. According to DC Gardner's chairman, Sir Kit McMahon, Coutts has been paid in full for the work by Abu Dhabi's Sheikh Zayed bin Sultan al-Nahyan – which is more than can be claimed by most of BCCI's disgruntled creditors.

Liter-ally

■ Not content with one begging letter, the Turks have just come up with five in the hope of persuading the rest of the former Soviet Union's quintet of Turkic states to join Azerbaijan and Turkmenistan in abandoning Cyrillic notation in favour of Roman script.

Turkey's decision to increase the alphabet by the five new letters is a historic gesture. It is the first such change since the western reforms of Mustafa Kemal Ataturk in 1928 when the Turks themselves adopted the Roman script in place of the Arabic used under the Ottomans.

The additions, agreed after a four-day conference in Ankara, represent sounds already voiced in the dialect of Turkish used in the republics.

Besides an additional *e* (written as a backwards E), the letters are a *w*, an *x*, a *q*, and an *n* with the reverse of a French circumflex over the top.

As an added incentive to join the alphabetical alliance, Turkey is offering the republics printing machinery and substantial technical assistance.

Funereal humour

■ Nice to see that company undertakers are developing a sense of humour at last.

An advert in the Financial Times seeking potential buyers of Aprilwood Furnishings, makers of three-piece suites, says that it is "an increasingly well known brand, supported by excessive advertising during the last 12 months . . ."

FINANCIAL TIMES
Tuesday March 16 1993

North Korea heightens tension with threat of war 'at any time'

By John Burton in Seoul and Our Foreign Staff

NORTH KOREA, facing strong international condemnation over its abrupt withdrawal from the nuclear Non-Proliferation treaty, yesterday heightened the tension by declaring that war could break out "at any time".

The new South Korean government of president Kim Young-sam, however, appeared to warn western allies not to react rashly to North Korea's decision to pull out of the NPT and drive Pyongyang into deeper isolation which could provoke a military response.

Mr Ri Tcheul, North Korean ambassador to the UN in Geneva, said Pyongyang had stopped granting visas to foreigners. He claimed that in the current US-South Korean "Team Spirit" military exercises, bullets and shells were being fired "towards our side".

"If we respond to it, it will mean a war and this war cannot but be an all-out war," Mr Ri said. "That is why we are stressing that a hair trigger situation has been created which could lead to an outbreak of war at any time."

In Seoul, Mr Kim said: "We never want North Korea to be isolated internationally nor do we want to inflict suffering on them." He emphasised that a diplomatic solution should be found.

Mr Han Sung-joo, South Korea's foreign minister, told the National Assembly: "We must prevent an armed conflict on the Korean peninsula at all costs... We don't want the situation to go to extremes due to the North Korean step."

Mr Han said South Korea was seeking the help of China, which still has links with North Korea, to persuade Pyongyang to reverse its decision before the issue reaches the UN Security Council. Beijing has indicated that it is displeased by the North Korean action.

In Geneva, Mr Vladimir Petrovsky, director-general of the United Nations' European headquarters, condemned North Korea's withdrawal from the NPT. "This act does not correspond to the will of the international community," he said.

In a meeting with Mr Ri, he told the ambassador that it was in the interests of North Korea "to strengthen the non-proliferation treaty rather than to weaken it". The North Korean government "would be responsible for all the consequences of its decision". South Korean state television reported that Seoul would ask the US to delay pulling out the aircraft carrier Independence or US troops deployed from Okinawa, Japan, for Team Spirit. The defence ministry would not confirm the report.

North Korean authorities have ordered a dusk-to-dawn blackout and put the nation on high alert, according to a foreign resident of Pyongyang contacted by Reuters. He said the government had barred foreigners from entering the country and would let foreign residents leave but not return.

Yeltsin claims his opponents want to restore communism

By John Lloyd in Moscow and Our Foreign Staff

MR BORIS YELTSIN, the Russian president, yesterday accused his parliamentary opponents of seeking to restore communist rule. His aides signalled that he planned to secure popular support in a plebiscite under international supervision.

In a statement issued by Mr Vyacheslav Kostikov, his press secretary, Mr Yeltsin accused the Congress of Peoples' Deputies of denying the people the right to a referendum and of "violating the constitution". Its decisions during last week's four-day session were "an attempt to...return the levers of government to the communist nomenklatura".

Mr Yeltsin would give his response in the next few days, Mr Kostikov said, adding in a later interview: "I think that Boris Nikolayevich intends to act as decisively as he showed himself capable of doing in the fatal days of August 1991" – a reference to the failed communist putsch against Mikhail Gorbachev.

The latest clashes between the president and his hardline opponents in parliament came as western leaders repeated their support for Mr Yeltsin.

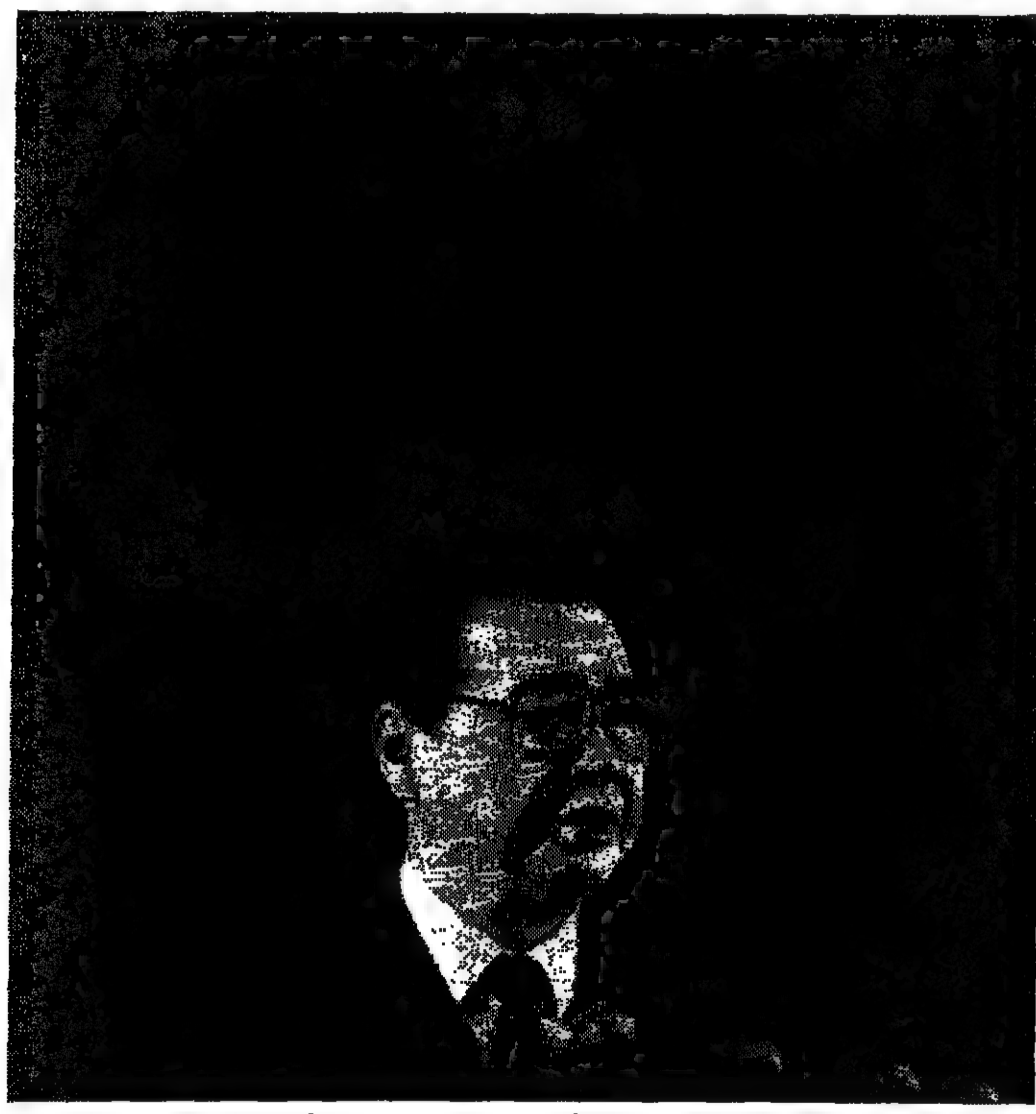
German chancellor Helmut Kohl warned that not only Mr Yeltsin's domestic reforms but also the entire process of peaceful international co-operation was threatened by the political backlash in Moscow. A similar message is expected to be delivered by French president François Mitterrand when he arrives in Moscow on an official visit today.

The expressions of international concern follow a weekend meeting of officials from the Group of Seven leading industrialised nations in Hong Kong. However, beyond considering more effective ways of targeting their aid for Russia, there is little sign that western governments are any closer to agreeing increased financial assistance. Mr Yeltsin's tactic now appears to consist of proceeding to a plebiscite on who governs the country. Mr Yegor Gaidar, former prime minister and now chief economic adviser to the president, said yesterday Mr Yeltsin could constitutionally hold such a plebiscite.

Mr Gaidar said "probably it would be a good idea to hold such a plebiscite involving observers from the international community."

Mr Yeltsin's opponents, by contrast, insist that Congress is the constitutional authority. Mr Konstantin Zlobin, the spokesman for the Russian parliament, yesterday rejected the president's allegations and said that the "democratic gains" made by the Congress last week "significantly reduce the possibilities of legal cover for the destructive activities" of Mr Yeltsin's advisers.

Compromise fades away, Page 2
Kohl speaks out, Page 2



Chinese premier Li Peng: British Hong Kong governor Chris Patten had acted 'perfidiously'

Hong Kong stocks fall 5%

Continued from Page 1

was not one we could accept".

Mr Li told some 3,000 delegates at the National People's Congress that Mr Patten's democratic reform proposals ran completely counter to Britain's "commitment" to bring Hong Kong's system into line with the Chinese-controlled "Special Administrative Region" after 1997. "The British government", he added, "shall be held exclusively responsible for all serious consequences arising from its latest action."

Mr Li described as a "sacred right" China's resumption of sovereignty over Hong Kong in 1997 which "shall not be interfered with and sabotaged in any way." But he also observed: "We hope for co-operation, not confrontation."

Hong Kong politicians, stockbrokers and political analysts, noted that he had not ruled out talks.

Mrs Selina Chow, a senior member of Hong Kong's conservative political grouping known as the Co-operative Resources Centre, said: "It seems that there is room for further discussion."

However, it emerged yesterday that a planned meeting of the Sino-British Joint Liaison Group for this month was unlikely to proceed. A Foreign Office official said the two sides had not discussed an agenda for the meeting.

Hoechst blast raises concern over safety

By David Waller in Frankfurt

ONE person died and another suffered third degree burns yesterday after an explosion and fire at Hoechst's main plant near Frankfurt.

The blast was the sixth accident Hoechst has suffered in less than a month – the first involving the loss of life – and immediately prompted calls from regional and national politicians for tougher safety controls in the German chemicals sector.

The explosion occurred at 7.41am when the two men were preparing a section of plant for repairs. Hoechst said the cause of the accident was not known.

The explosion comes less than a month after Hoechst accidentally released 10 tonnes of chemicals – some potentially toxic – from its Griesheim plant. The chemicals fell on the Frankfurt suburb of Schwanheim on February 22.

Although no one was hurt on that occasion, dozens of residents visited doctors after the leak and there was an expensive and high-profile clean-up campaign.

Last Friday Hoechst inadvertently discharged 100 litres of a poisonous solution into the Rhine from a plant in nearby Wiesbaden.

Hoechst said yesterday it regretted the loss of life in the latest accident and would co-operate with investigations launched by the local police and legal officials from the state of Hesse.

Mrs Ursula Tober, a Hoechst press officer, said the company was saddened and bewildered by the series of accidents. "We simply cannot explain it to ourselves why all this has happened all at once," she said.

A cloud that floated from the plant over the Frankfurt suburb of Sindlingen yesterday was not dangerous to the public and dispersed quickly after the accident, Hoechst said.

Mr Klaus Töpfer, Germany's federal minister for the environment, yesterday vowed to intensify pressure on the chemicals industry to improve safety standards. Hoechst had already begun a comprehensive examination of its safety and other procedures after the first accident last month.

Approval for USAir deal

Continued from Page 1

disregard it while at the same time insisting that Australia and Japan abide by the provisions of their bilateral aviation treaties with Washington.

"We contend that the current US-UK bilateral agreement, negotiated by an earlier administration, does not offer US airlines sufficient access to British and European markets.

"Even as we honour the existing agreement, the administration will pursue a new agreement this year that incorporates open skies provisions," he said.

THE LEX COLUMN

Profits begin at home

HSBC Holdings is clearly pleased with the diversification represented by last year's acquisition of Midland Bank. But the 68 per cent increase to £1.01bn in the Hongkong Bank's attributable profits shows where the group's most dynamic growth still lies. Even without the currency conversion factor and the £270m gain from the sale of the Cathay Pacific stake, income in the Asia-Pacific region continues strong. Midland is unlikely ever to match the Hongkong Bank's astonishing return on average shareholders' funds of over 30 per cent.

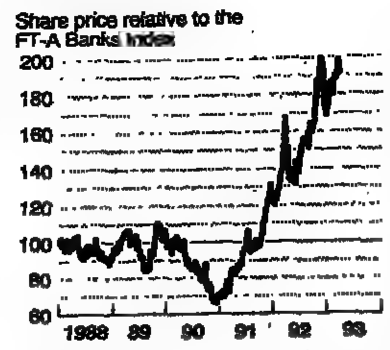
The danger remains of over-estimating the bank's resilience if the Asian boom falters. At some stage, though probably not before 1994, rising US interest rates and narrower margins on Hong Kong business could produce a noticeable dent, especially if the political situation remains tense. Midland's profits should rise as provisions fall. HSBC's computer systems could bring remarkable efficiency gains, but they will take years to flow through and the bulk of the cost-cutting in Midland is complete.

HSBC may thus not yet have found the complete answer to its diversification dilemma. It is still heavily dependent on its volatile traditional market. The eventual answer might yet be to float all or part of the Hong Kong operation locally. The bank says nothing could be further from its mind when it is making so much money there. Indeed, but the chance could vanish for good if political trouble really strikes.

FT-SE Index: 2922.4 (+6.5)

HSBC Holdings

Share price relative to the FT-A Banks Index



Source: FT Graphite

Airtours/Owners Abroad

The battle between Airtours and Owners has become an unedifying dogfight. Thomas Cook's last-minute move to buy 8.4 per cent of Owners' shares in the market at 152½p apiece may have tilted the balance in the defence's favour. If so, Cook could then proceed with its tender offer for a further 12.5 per cent of Owners' shares at 150p enabling the two parties to consummate their strategic alliance.

This may serve Cook's interests well. It is not clear if it is as good for all Owners' shareholders. The guiding principle of the Takeover Code suggests that an offeror should treat all the offeree's shareholders equally. Cook has not made a bid and therefore has no such obligation. Nevertheless, it has cynically tried to curb Owners' shareholders' freedom of choice. Although not prepared to bid, Cook is prepared to scupper a rival offer by dislodging some loose institutional holders of Owners' shares. It would then be able to deter further bids with its large blocking stake. Wavering shareholders should reject such tactics. The Airtours' offer still looks the best alternative.

Sadly, this tale confirms how some bids have degenerated into back-room deals between companies and fund managers. Small shareholders might be forgiven for feeling cheated.

English China Clays

Having abandoned its adventure in housebuilding, English China Clays now finds itself becalmed. Selling kaolin to paper makers will remain unrewarding until demand for the end product catches up with capacity. Given the cyclical downturn in Europe, that point may not be reached until well into 1994. Meanwhile, ECC is in no position to reverse the downward pressure on margins. The move into Pacific markets and an upswing in the US should offset the worst of the damage. The 1990 acquisition of Georgia Kaolin now looks well-timed. But without further steps in that direction, the growth prospects are far from obvious.

ECC could usefully raise as much as £150m by disposals from its land bank and redeploy the funds where growth prospects are better. Given the groggy UK housing market, though, it would not do to count on an early realisation. A debt-funded acquisition would be another way forward. Having replaced most of its auction-market preference shares with last year's rights issue, ECC's balance sheet is strong. The worry is that higher interest charges would eat into free cash flow. That might undermine the secure 5.8 per cent yield on which the shares now depend.

Olivetti

Olivetti's rights issue has the look of a company sticking its finger in the dyke. The L900bn raised has to be set against a declared loss last year of L650bn and provisions for restructuring over the last three years of L700bn. While the issue will wipe out net debt, computer prices are still falling, so further cost-cutting will surely be necessary. Even Olivetti has tacitly accepted that investors may not be keen by pitching the issue at the deepest discount legally allowed.

Larger and more august companies than Olivetti have been humbled by the collapse in computer manufacturing margins. While further price falls may be limited as worldwide capacity is cut, it is hard to see European companies becoming the lowest cost producers against Far Eastern competition. And with most of the value being added at the chip level by US firms, assemblers such as Olivetti will struggle. The future of European production is thus far from certain. Even Olivetti's alliance with DEC may not give it much muscle in the expanding Risc chip market. DEC, meanwhile, can contemplate its purchase of a 4 per cent stake last summer at L8,000 per share, which it can now add to by taking up its rights at L1,000 each.

British Airways

BA is delighted that the first $300m stage of its investment in USAir has been temporarily approved. In truth, the US transportation secretary had no alternative under existing aviation agreements. The crucial question is: what follows?

Mr Federico Peña will press hard for a revised bilateral aviation agreement with the UK government giving US carriers greater access to the European market. BA will then face a tricky calculation whether to cede some Heathrow slots in the hope of receiving US regulatory approval for the next two phases of its link up with USAir. These stages would bring the real operational rewards.

But such considerations may be academic. In its current mood, the US Congress would bristle at approving any agreement allowing BA fuller access to the domestic market no matter what Mr Peña may agree.

World Weather

		°C	°F
Ajaccio	F	16	61
Algiers	S	20	68
Amsterdam	S	17	63
Athens	F	14	57
Bahrain	S	20	68
Bangkok	F	33	91
Barcelona	R	11	52
Beijing	S	14	57
Beirut	S	14	57
Belfast	C	12	54
Belgrade	S	14	57
Berlin	S	14	57
Bermuda	F	17	63
Bombay	F	30	86
Bordeaux	F	17	63
Boulogne	S	16	61
Brussels	S	17	63
Budapest	S	7	45
Buenos Aires	R	30	86
Cairo	F	18	64
Cape Town	S	26	79
Caracas	F	30	86
Casablanca †	S	18	64
Chicago †	S	-8	18
Cologne	S	17	63
Copenhagen	S	11	52
Corfu	S	15	59
Dallas †	C	8	46
Dublin	F	13	55
Dubrovnik	S	15	59
Edinburgh	C	10	50
Faro	S	17	63
Florence	S	15	59
Frankfurt	S	16	61
Geneva	S	13	55
Gibraltar	F	17	63
Glasgow	R	9	48
Helsinki	S	11	52
Hong Kong	C	27	81
Innsbruck	S	11	52
Inverness	F	11	52
Islamabad	F	20	68
Istanbul	S	9	48
Jakarta	R	32	90
Johannesburg	F	25	77
Lisbon	F	15	59
London	S	18	64
Los Angeles †	S	14	57
Luxembourg	S	14	57
Madeira	C	14	57
Madrid	F	14	57
Majorca	F	16	61
Malaga	S	18	64
Malta	S	16	61
Manila	F	33	91
Melbourne	S	25	77
Mexico City	F	23	73
Miami †	S	7	45
Milan	S	13	55
Montreal †	S	[illegible]	-9
Moscow	C	-2	28
Munich	S	14	57
Nairobi	F	27	81
Naples	S	17	63
Nassau	C	21	70
New Delhi	S	24	75
New York †	S	[illegible]	18
Nice	S	15	59
Nicosia	F	15	59
Oporto	F	17	63
Oslo	Fg	1	34
Paris	S	17	63
Prague	S	11	52
Reykjavik	C	0	32
Rhodes	S	14	57
Rio de Janeiro	F	34	93
Rome	S	15	59
Salzburg	S	11	52
S'Francisco †	C	13	55
Seoul	S	13	55
Singapore	F	30	86
Stockholm	S	10	50
Strasbourg	C	16	61
Sydney	C	23	73
Taipei	F	24	75
Tangier	F	18	64
Tel Aviv	F	15	59
Tenerife	F	15	59
Tokyo	R	5	41
Toronto †	S	-14	7
Tunis	F	16	61
Valencia	F	16	61
Venice	Fg	7	45
Vienna	S	9	[illegible]
Warsaw	F	7	45
Washington †	S	-9	16
Zurich	S	14	57

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

BTP agrees job-cuts rescue package

Compagnie BTP, the French bank that specialises in finance for property and building, has agreed an emergency rescue package that includes a 35 per cent cut in overheads, chiefly through shedding 220 staff. BTP is also trying to salvage its finances by transferring FFr3.2bn ($560m) of property loans to a new company. Page 22

Troublesome chemical brew

Recession eventually goes away. But other spectres loom for Germany's chemicals industry, such as state intervention, environmental costs, competition from Asia and medical service. Page 23

Risks for combined harvesters

Youngsters love the children's parties on Charles Bennett's English farm, and with only 120 acres to work he needs to generate extra income. But the history of such diversification is littered with failures. Page 35

Nine Network buys into Fairfax

Nine Network, the Australian television group controlled by Mr Kerry Packer, paid A$49.7m (US$35.5m) for a 4.96 per cent stake in John Fairfax Holdings, the newspaper group controlled by Mr Conrad Black – prompting speculation that Mr Packer was planning a bid for Fairfax. However, the return of the Labor government means little prospect of a change in the law on cross-media holdings. Page 25

Doubts cloud NTT share rise

After sliding steadily for five years, shares in Nippon Telegraph and Telephone, Japan's telecommunications group, gained 31.5 per cent in just 10 days. But the timing of the rise in NTT's stock has aroused suspicion as to whether a series of favourable developments have been coincidental. Page 24

Hang Seng alarm subsides

Hong Kong

Source: FT Graphite

Hong Kong's Hang Seng index dropped another 5.1 per cent – adding up to a slide of 8 per cent in two days – on China's angry reaction to Governor Chris Patten's decision to proceed with democratic reform. However, many analysts believe the worst is over. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	725	+	25
Badenwerk	313	+	10
GEHE	410	+	11
Kaufhof	490	+	8
Leifheit	500	+	20
Falls			
Lahmeyer	890	–	9.5

NEW YORK ($)			
Rises			
Charles Schwab	38	+	½
Gen Motors	39	+	⅝
Merrill Lynch	73⅛	+	1¾
Nike	75⅝	+	3¾
Storage Tech	27¼	+	¾
Falls			
BankAmerica	52¾	–	1

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Axa	1284	+	24
BSN	989	+	19
Docks de France	471.6	+	15.6
Roussel-Uclaf	585	+	15
Saint Gobain	521	+	14
Falls			
Fonc Lyonnaise	665	–	14

TOKYO (Yen)			
Rises			
Nabco	570	+	80
Teiko Electric	319	+	77
Tamura Electric	800	+	100
Tatsuta Elec	578	+	80
Falls			
NEC	767	–	12
Toshiba	606	–	12

LONDON (Pence)			
Rises			
Amber Day	62	+	6
Amstrad	38	+	2½
Avesco	66	+	7
Borthwicks	48½	+	5½
Brabant Res	53	+	9
Cussins Prop	65	+	7
Goodhead	26	+	3
HSBC	624	+	20
Hammerson A	361	+	26
Hoskins Brew	53	+	10
Invernz West	48	+	5
Kode Int	189	+	13
Kwik-Fit	105	+	8
Perkins Foods	113	+	7
Resources	31	+	3
Rorspur	17	+	4½
Spandex	340	+	25
Transtar Tech	558	+	33
Whitegate Leis	27	+	5
Falls			
BM Group	54	–	6
Gestetner	110	–	12
Owners Abroad	139	–	9
Smit Platform	38	–	4
Trafalgar Hse	73½	–	5

John Gapper reports on HSBC's results since acquiring Midland Bank last year

Waiting for the griffin to pull its weight

HSBC Holdings yesterday announced a 94 per cent rise in 1992 pre-tax profits to £1.7bn ($2.44bn), from £880m the previous year, following its acquisition of Midland Bank last July.

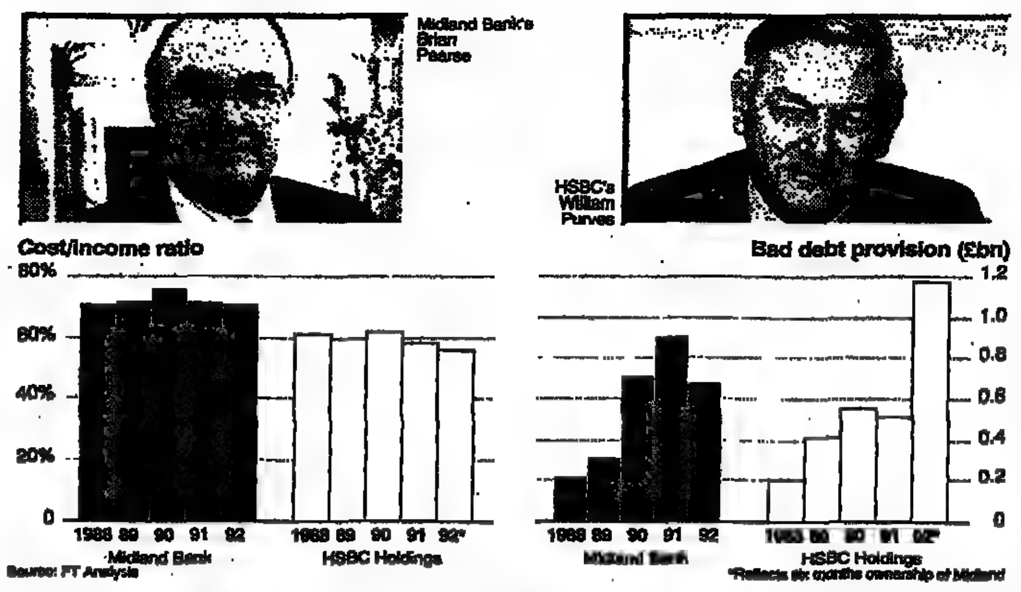
The strongest increase in profits came from operations in the Asia Pacific, which contributed £1.3bn of pre-tax profit. American operations incurred a pre-tax loss of £24m, while European operations made a £303m pre-tax profit.

HSBC disclosed a £297m provision against its exposure to Olympia & York, the property developer, and made a £321m provision on Midland loans. The O&Y provision amounts to 60 per cent of the bank's £500.1m exposure to the company.

The bank's earnings per share rose 72 per cent to 62.07p. It declared a final dividend of 14.2p, making a total of 19p, a 50 per cent increase on 1991.

Lex, Page 20; Details, Page 28

Tackling Midland's high costs and bad debts



Source: FT Analysis

A sculpture of two intertwined brass coils rising from a solid base sits in Midland Bank's head office in London. Called "Union", it was given by Sir William Purves, chairman of HSBC Holdings, after it acquired Midland last July. "They're obviously going to screw us into the ground," said one Midland director on seeing it.

As HSBC yesterday announced the first results for the new bank, the mood was less nervous. The first months of a merger that created the world's 15th largest bank have demonstrated some of its benefits. An example is the mixture of four styles of signs in Midland branches. The backing of capital from HSBC, parent of Hong Kong & Shanghai Banking Corporation, has allowed it to spend £18m ($26m) this year unifying the style.

Even such small amounts were hard to spare at Midland in the late 1980s. Still stricken by its 1981 purchase of Crocker National Bank in California, Midland incurred a £261m pre-tax loss in 1989 and only made £11m the next year. "None of what we're doing now costs a lot a money, but we did not have any before," says Mr Brian Pearse, Midland's chief executive.

The prospect of HSBC dominating Midland has been lessened by the mixing of executives. Mr Richard Delbridge, Midland's finance director, has become HSBC group finance director. Mr Pearse professes to be content. "I have found my masters very receptive. I'd be very surprised if they went against anything I thought was right."

Mr John Bond, HSBC's group chief executive, says Midland will maintain its style. "We do not go around the world trying to export our culture. We have a few central principles, but each bank has its way of doing things," he says. He lists the principles as strong capital and liquidity, a stress on information technology, and rigorous control of costs.

Yet the continuation of such harmony depends on Midland performing a lot better than in the past. It now makes up 40 per cent of HSBC's assets, but contributed only £184m to the group's £1.2bn attributable profit. The Hong Kong shareholders who needed persuading last year that Midland was worth £4bn will watch for an improvement.

The imbalance between HSBC's Asia Pacific operations and Midland is striking. Mr Robert Law, an analyst at Lehman Brothers, estimates that HSBC's Asian operations earned a 50 per cent pre-tax return on capital last year. Midland would need to make £800m even to achieve 20 per cent, which is well above its highest ever pre-tax profit of £698m in 1988.

It has moved to remove overlap, spending £122m on restructuring in the second half of 1992. The London-based treasury and capital markets operations have been merged and moved to a new building.

Cost savings and the increased size have produced benefits: the combined treasury operation costs 20 per cent less, and has raised turnover 17 per cent. Mr Pearse says corporate customers are now attracted to the merged Midland/HSBC because of its size, its greater capital strength and its resources in operations such as trade finance.

Outside large corporate business, the merger remains unproven. HSBC's hardest task is to improve profits in the personal and small corporate business carried out through branches. Unlike Lloyds Bank, which made a counter-bid for Midland before withdrawing, HSBC cannot reap cost savings through eliminating overlap in branch networks.

HSBC's most likely edge over other clearing banks is in technology. UK banks have allowed operations to develop incompatible systems: Midland's treasury operations alone had 22 systems.

The bank has also used "front office" technology for such things as credit scoring more extensively than British UK banks. Loans to small businesses are cleared by local managers within Midland; at Marine Midland such loans are assessed at a lending centre in New York state.

How Midland will be affected by HSBC's preference for using technology to automate credit decisions while controlling staff costs is unknown. Midland cost-to-income ratio is 68.6 per cent compared with 56.6 per cent for HSBC as a whole. But Mr Pearse says the network of 1,800 branches is the right size, and the primary task is to pass more income through it.

The suggestion that costs could be saved by automating small business lending gets a sceptical response from Mr Pearse.

"It may be a sign of my old age, but I would have to be convinced about that. I still believe that the capital structure of most small businesses in this country mean you have to be involved face-to-face with them," he says.

Mr Bond puts a different stress on the balance of cost and income, given sluggish loan demand in recession-hit OECD countries.

"The only thing you really have under your control at the moment is costs," he says. He emphasises HSBC's preference for "very short lines of communication", without thick layers of head office middle management.

For the moment, the different traditions are a matter for debate rather than argument. Mr Bond is still assessing the acquisition after coming to London in January, and Mr Purves does not arrive until the autumn.

But Mr Pearse's approach will soon have to bear fruit in transformed profits; HSBC's patience may otherwise wear uncomfortably thin.

General Motors to lose Lopez after all

By Christopher Parkes in Frankfurt and Martin Dickson in New York

GENERAL Motors' global buying chief, Mr J. Ignacio Lopez de Arriortua, is, after all, leaving the US carmaker, it was revealed late yesterday. His departure was announced at a GM press conference, but it was not clear where Mr Lopez would be moving to.

Earlier in the day, Volkswagen's shares had fallen on the Frankfurt stock exchange as it appeared that the German carmaker had failed in its attempt to poach Mr Lopez.

VW shares slipped DM7.30 to DM285.50 after the weekend's surprise announcement that Mr Lopez was to stay in Detroit.

An expected fall in VW profits and a cut in the dividend from DM11 to DM5 or less, due to be confirmed at a meeting of the VW supervisory board today, had been widely discounted.

GM had been expected to announce at yesterday's conference in Detroit that Mr Lopez was being promoted to executive vice-president, with much greater responsibility for the group's North American manufacturing operations.

Volkswagen yesterday repeated that although the company and Mr Lopez had both signed a contract for him to join the German group within weeks, it would not come into effect "for the time being".

The company refused to comment on speculation that Mr Lopez had been "persuaded" to stay by a further promotion within GM or the US group's insistence on his respecting a clause in his contract preventing him from moving directly to a competitor.

However, Mr Ferdinand Piëch, VW's chief executive, made plain on Sunday that Mr Lopez had come under pressure through "persistent interventions" from within GM.

This pressure followed a statement last Thursday from Mr John Smith, GM president, in which he tacitly accepted that he had lost the battle to hold on to one of his most valuable executives. Mr Lopez's most important contribution had been "the organisation of a strategy, a team and a process to achieve cost-reduction benefits throughout the corporation", he said.

These are precisely the contributions Mr Piëch urgently needs to restructure VW's cost-base and revive profitability.

Rhône-Poulenc Rorer to buy back 5m shares

By William Dawkins in Paris

RHONE-POULENC Rorer, the pharmaceuticals unit of France's largest chemicals group, plans to buy up to 5m of its own shares, worth $236m at yesterday's opening price.

The move, to support RPR's flagging share price and obtain cheap capital for an employee benefits trust, is routine in the US. It is unusual in France, though Rhône-Poulenc, RPR's parent, did announce it was buying RPR shares last month. Yesterday's operation will lift RPR's earnings per share by reducing the number of shares outstanding, said the group.

RPR's share price had fallen by roughly 20 per cent over the past nine months, said Mr Patrick Langlois, chief financial officer. This was in line with a general fall in US drug companies' shares due to investors' fears over the Clinton administration's plans to cut healthcare spending, plus a general shift of interest to industrial companies likely to benefit more than pharmaceuticals from the US economic revival. "The whole sector is undervalued. We think that RPR has significant potential not recognised in the share price," he said.

RPR will buy the shares, which amount to 3.6 per cent of its 138.3m shares in issue, in the open market over an unspecified period starting now.

Last month, Rhône-Poulenc bought an extra 2.05 per cent of its subsidiary, now 68.68 per cent owned by the state-controlled chemicals group. Rhône-Poulenc said it wanted to show confidence in RPR at a time when RPR's share price did not reflect its full potential.

The shares being bought by RPR will go into an employee trust to finance benefits such as savings and stock plans, pensions and healthcare. Over time, the trust will be free to allocate or sell the shares.

● Cap Gemini Sogeti, Europe's largest provider of computer services, yesterday announced that it would offer £137m ($196m) to buy out the remaining 30 per cent minority stake in Hoskyns, its UK subsidiary. CGS bought 69.3 per cent of Hoskyns, which manages companies' computer systems, in 1990 and undertook at the time to offer to buy out the rest before mid-March 1993.

Minority investors are being offered 469p per share, slightly more than the most recent market price of 462p. CGS paid £199m, or 330p per share, for control of Hoskyns in 1990.

UAP calls on Suez to reopen talks on future of Victoire

By Alice Rawsthorn in Paris

UNION DES Assurances de Paris, France's largest insurance group and a candidate for privatisation after this month's election, yesterday called on Suez, the French holding company, to reopen negotiations about the future of Victoire, the French insurer, and Colonia, its German subsidiary.

Suez, which has been clouded by bid speculation since the announcement earlier this month that it incurred its first-ever loss in 1992, last year broke off the Victoire talks. UAP, a minority investor in both Suez and Victoire, had for years hoped to swap its Victoire shares for control of Colonia.

Mr Jean Peyrelevade, UAP chairman, said the negotiations "must be reopened, sooner or later". The breakdown of the Victoire talks was seen as a personal blow for Mr Peyrelevade, a socialist appointee whose position at UAP may be vulnerable if, as the polls suggest, the conservatives win the elections.

However, Mr Gérard Worms, chairman of Suez, has refused to reopen negotiations. Suez said the issue was not on the agenda although it was "not inconceivable" that talks would resume in the future.

UAP yesterday also secured shareholder's agreement to acquire a 37.35 per cent stake in Nordstern, the German insurer which is the most profitable part of Colonia, from Winterthur, the German financial group, in return for FFr1.5bn ($260m) of UAP shares.

The Nordstern investment has been interpreted as an attempt by Mr Peyrelevade to step up the pressure on Suez by trying to restrict Colonia's control over the company.

Mr Peyrelevade's manoeuvres might be helped by Suez's recent problems. Suez, which incurred a FFr1.8bn loss last year, has been badly affected by the economic slowdown and by the effects of the Paris property crisis on its banking activities.

Mr Peyrelevade stressed UAP had not participated in the recent buying of Suez shares. "Like many other shareholders, we are very concerned with the situation at Suez and hope the management can address its problems," he said.

Thomas Cook buys Owners stake

By Richard Gourlay in London

THOMAS Cook, the German-controlled travel agency, yesterday bought an 8.4 per cent stake in Owners Abroad, the holiday company defending a hostile bid from rival Airtours.

The purchase may prove to be decisive in ensuring that Owners Abroad retains its independence, allowing it to progress with its proposed commercial tie-up with Thomas Cook, and its sister company, LTU, the German tour operator.

Last night Owners Abroad and Airtours were awaiting the decision of Gartmore, a 7.6 per cent shareholder in Owners Abroad. The offer closes at 1pm today.

Advisers to Owners Abroad said Thomas Cook had bought the shares from a variety of institutions at a cost of about £21m ($29m).

Thomas Cook's offer of 152.5p was aimed at investors who were believed likely to accept the offer, they said.

Gartmore was understood to have sold some of its stake to Thomas Cook.

A spokesman for Gartmore would not comment on whether it planned to to accept the Airtours offer.

Airtours also yesterday produced new information on the cost savings it expects to make from a merged Owners and Airtours.

It said it hoped to make £20m savings in the full 1993-94 financial year and the same the following year.

These figures compared with Owners Abroad's assessment of benefits from its tie-up with Thomas Cook of £9m and £11m in the two years.

Mr David Crossland, Airtours chairman, said £8m of savings would come from an average 2 per cent saving on the purchasing of bed nights.

A further £4m saving would come from a car rental deal in the US. Other savings would come from passenger handling, and economies in running the two airlines.

Airtours' introduction of new financial information on the penultimate day of the bid was seen by some analysts as a mistake that left an impression the company thought the bid was slipping away.

Mr Howard Klein, Owners Abroad chairman, described Airtours statement as a "a last minute response to a glaring omission in its arguments to date". He said Owners' brands had limited overlap with Airtours. Airtours appeared to have ignored the effect of loss of market share which would occur if its bid were successful, the company said.

Lex, Page 20

Compagnie BTP agrees to emergency rescue plan

By Alice Rawsthorn in Paris

COMPAGNIE BTP, the French bank that specialises in finance for the property and building sectors, has agreed an emergency rescue-package to cut costs and restructure its finances.

The plan includes a radical reduction of 35 per cent in overheads, chiefly by shedding 220 staff. BTP, which has been badly affected by the downturn in the French property market, is also trying to salvage its finances by transferring FFr3.2bn ($560m) of property loans to a new company.

The new company will be controlled by BTP's existing shareholders, which include a number of prominent names in French finance and construction, including Crédit Lyonnais and Crédit National, the banks, and the Bouygues building group.

The BTP board, led by Mr Jean Bayle, chairman, has been trying to finalise negotiations for the rescue package since last autumn. BTP is the latest in a long line of French financial groups to have fallen into financial difficulty because of the precarious state of the property market.

Crédit Lyonnais, the state-controlled bank which owns 4.1 per cent of BTP, last week disclosed that it produced its worst results for 20 years in 1992, partly because of its property problems. Other banks, including Paribas and Indosuez, have also been hit, as well as the French insurance companies.

However, BTP is one of the most vulnerable institutions given that it specialises in property. It fell into the red with a net loss of around FFr720m last year, after making provisions of FFr600m, from net profits of FFr62m in 1991.

The company said it hoped to break even this year, following the rescue plan, and to return to "normal profit levels" in 1994.

ISS ahead despite sales decline

By Hilary Barnes in Copenhagen

ISS, the international industrial cleaning group, reported a 9 per cent increase in net profits to DKr266m ($41.49m) in 1992 from DKr244m last time. Pre-tax profits were up by 15 per cent to DKr374m from DKr332m.

Sales were down to DKr11.35bn from DKr11.80bn, due to divestments, adverse foreign exchange developments and difficult trading conditions in Sweden and Brazil.

Earnings per share increased to DKr61 from DKr56. An unchanged DKr10 per share dividend was proposed.

The board also proposed a scrip issue of one new for five old shares and a share split by which shares of DKr100 face value will be split into five shares of DKr20 each.

Sales increased in Scandinavia to DKr5.07bn from DKr4.98bn, but operating profits slipped to DKr288m from DKr305m. Sales were down in both the other main divisions, to DKr2.94bn from DKr3.34bn in Europe and Brazil and to DKr3bn from DKr3.21bn in North America.

Operating profits in Europe and Brazil were down to DKr159m from DKr177m, and in North America to DKr137m from DKr133m.

In the current year an increase in turnover of about 5 per cent is forecast, while pre-tax profits are expected to rise both absolutely and relative to turnover, said the preliminary report.

COMPANY NEWS IN BRIEF

PIZZA HUT International has formed a 50-50 joint venture in France with the pizza delivery business Spizza 30, Reuter reports from Paris.

Pizza Hut said the venture, which is subject to French government approval, would cover more than 70 outlets and represent annual turnover of FFr350m ($62.27m). Pizza Hut International has 17 wholly-owned restaurants in France.

● FOKKER, the Dutch aircraft maker, said it was deferring publication of its 1992 results until April 2, pending official confirmation that the takeover by Deutsche Aerospace is going ahead, Reuter reports from Amsterdam.

Fokker had originally slated results for March 18.

The company, hard hit by the slump in orders for new airliners, is expected to announce in the next week or so a big cutback in production and jobs.

● RHEINMETALL Berlin is taking a 63 per cent stake in Preh-Werke, the electronics group, for an undisclosed sum, Reuter reports from Dusseldorf.

Rheinmetall said the acquisition, which was subject to approval by the federal cartel office, would take effect retroactively from January 1.

Preh had sales of some DM220m ($132.5m) last year. It would complement Rheinmetall's automobile technology business led by Pierburg.

● RODAMCO Property, the investment fund, said its 1992-93 dividend would probably be slightly higher than its net per share earnings of Fl 3.19, Reuter reports from Rotterdam.

The company expects the dividend to be higher than the 1991/92 dividend of Fl 3.40.

● UNION Bank of Finland, the banking arm of Unitas, may incur up to FM150m ($24.6m) in credit losses if the debt restructuring of Polar-Yhtyma fails, Reuter reports from Helsinki.

Avesta Sheffield doubles loss, holds payout

By Christopher Brown-Humes in Stockholm

AVESTA SHEFFIELD, which has become Europe's largest stainless steel group following the recent merger of Avesta and British Steel's stainless steel operations, yesterday disclosed a SKr564m ($72.33m) loss, after financial items, for 1992.

Weak market conditions were aggravated by merger expenses and the costs of starting up a new mill, the company said.

The deficit was more than double 1991's SKr248m loss and led the company to scrap its dividend after a SKr1 per share pay-out in 1991.

"The most important reason for the negative result is that product prices have fallen more than raw material prices," the group said. It blamed industry over-capacity and increased nickel exports from the former eastern bloc for the fall in prices, while noting that demand was restrained by recession in many important markets. It said European demand for hot rolled plate, pipes, tubes and long products fell, while demand for cold rolled products rose just 1 per cent, compared with a normal 4 to 5 per cent.

Sales amounted to SKr7.59bn, compared with SKr7.39bn in 1991, with SKr842m generated by British Steel's stainless operations in the two months following the completion of the merger on November 2. Excluding this contribution, sales were down 9 per cent.

The overall loss would have been lower but for SKr171m adverse movement in inventory prices, SKr50m in merger costs, and SKr101m related to the start-up of the group's hot strip rolling mill in Avesta.

The group originally expected the merger to produce SKr400m of annual cost savings from 1995, but now says it expects the benefits to be greater and to take effect as early as 1993.

British Steel owns 40 per cent of the group.

Deutsche Babcock cuts forecast

By Ariane Genillard in Bonn

DEUTSCHE BABCOCK, the plant and engineering group, posted a 22 per cent increase in sales in the five months to the end of February but warned that overall profits for the year would be lower than expected.

Sales in the five months rose to DM2.5bn ($1.5bn), with the order backlog standing at DM8.8bn, a 22.3 per cent rise over the same period the previous year.

But Mr Heyo Schmiedeknecht, chief executive, warned that profit forecasts for the current year, which ends on September 30, would have to be "revised downward". He said profits would be "closer to DM30m". Earlier forecasts said profits could be as high as DM60m.

Mr Schmiedeknecht blamed the general recession in the industrial machines sector. He also said that core businesses in environmental technology continued to be in the red.

Net profits for the group for the 1992 fiscal year stood at DM76m however, up from DM32m the previous year. Sales for the same period reached DM7.6bn against DM7.3bn the year before.

Outstanding orders were higher than the previous year, standing at DM7.1bn against DM6.6bn. The company said it had won a contract worth DM240m to build a coal-fired plant in China.

The company said it still planned to float three subsidiaries on the German stock market this year. The plan was announced last year but had to be delayed because of the stock market turmoil, a company spokesman said.

The three subsidiaries are Balcke-Dürr, Babcock-BGH and Schumag, specialists in mechanical engineering, plant and industrial technology.

The company will also pay a preferred dividend this year, but will omit to pay on common shares. Holders of preferred stock will receive DM9 a share, or three times the DM3 a share which was last paid out in 1988.

The company said it intended to turn 1.2m preferred shares into common stock this year and expected to pay a DM10 dividend for the fiscal year ending September 30 1994. The plans will be proposed to its shareholders' meeting on April 5.

Senior managers stage walkout at Baring

By Richard Waters in London

MR CHRISTOPHER Heath, the man who built Baring Securities into one of the UK's most successful securities houses in the late 1980s, yesterday resigned along with a large part of his senior management team after a policy dispute over the company's future.

Mr Heath and his team are believed to have pushed for Barings to expand its securities and derivatives business, in a move that could have led the group to sell a stake to another bank.

Mr Andrew Tuckey, Barings' deputy chairman, said no specific proposals had been put to the board, but added: "None of these initiatives have any appeal to us, because we have neither the capital nor the inclination" to expand the business.

The move comes six months after Barings, one of the UK's oldest merchant banking groups, announced that its securities arm had plunged into loss in the first half of 1992, cutting group profits by more than a half to £11.8m.

More than 100 jobs were shed at that stage, and yesterday's departures raise the prospect of further cutbacks in the securities arm and its 80-strong derivatives unit.

Mr Tuckey said that the parting had been amicable and that Mr Heath, once the UK's highest-paid director, would remain as a consultant to the group.

Others directors to depart were Mr Ian Martin, head of derivatives, and Mr Andrew Baylis, head of European operations, while Jim Reed, head of New York, and Vanessa Gibson have also left the Barings Securities board.

One of the executives who stepped down said that discussions over the future of the company, under way since last September, had come to a head last weekend: "One route would have been more exciting and expansionist – and, yes, might have required more capital and an extra partner. The other was more consolidating. At the end of the day, it's very difficult to back something you don't agree with."

Two other Baring Securities directors, Mr Andrew Fraser and Mr Diarmaid Kelly, have been made deputy chairmen of the company. Mr Peter Norris, put in by Barings as chief operating officer last autumn, takes over as chief executive.

Mr Tuckey said that, while the securities company would not be integrated with the bank, the two operations would move closer together.

French dairy products group static at FFr354m

By Alice Rawsthorn

BONGRAIN, the fast-expanding French cheese and dairy products group, made static profits of FFr354m ($62.51m) last year.

The group, which has grown rapidly in recent years through a series of acquisitions culminating in last summer's deal whereby it took managerial control of ULN, the ailing French dairy co-operative, also saw sales stabilise at FFr9.7bn in 1992.

Mr Jean-Hughes Vadot, finance director, said Bongrain had been affected by a slowdown in consumer spending across all its markets, with the exception of Germany. He said there had been a sharp slowdown in France, still the group's biggest market with 47 per cent of sales, particularly in the second half of the year.

Despite the competitive climate, Bongrain would have registered an increase in net profits for its ongoing businesses of 7.2 per cent had exchange rates remained stable.

However, the franc's strength since the autumn currency crisis reduced the contribution from exports and overall net profits grew below the rate of inflation by 1.1 per cent from FFr350m in 1991 to 1992's FFr354m.

Euroc profits decline to SKr129m as sales slide

By Christopher Brown-Humes

EUROC, the Swedish building materials group, saw 1992 profits after financial items fall to SKr129m ($16.9m) from SKr151m a year earlier, with efforts to cut costs and release capital largely offsetting a big downturn in the building market. The dividend is being maintained at SKr2 per share.

Sales slumped to SKr9.5bn from SKr10.5bn, with a particularly severe decline in Sweden and Finland where sales were down 20 to 30 per cent. Operating income dropped to SKr542m from SKr740m.

The group's performance was helped by a sharp reduction in net financial expense which fell to SKr396m from SKr593m, after a scaling down of operations in some markets.

The group sold its stake in Valenciana, the Spanish cement and ready-mix company, incurring a SKr279m extraordinary loss, but it says the move will cut its annual financial costs by SKr150m.

Euroc's cement operations improved earnings to SKr124m from SKr39m, but the building material activities saw profits fall to SKr84m from SKr204m. Losses within building materials distribution deepened to SKr29m from SKr14m.

Euroc forecasts that it will remain in profit in 1993.

Nike shares jump on record earnings

By Karen Zagor in New York

SHARES in Nike climbed more than 5 per cent yesterday morning after the company posted record third-quarter earnings. The shares advanced $3⅞ to $75½ at mid-day.

Although the results were in line with expectations, investors were encouraged by a jump in "futures" orders and news that Nike's US footwear business had its strongest quarter in two years.

The company, based in Beaverton, Oregon, said orders for footwear and apparel scheduled for deliver between March and July climbed 21 per cent to $1.65bn. The company warned that these orders were not necessarily indicative of total revenues for successive periods.

Nike's net income for the three months to February 28 rose 8.5 per cent to $89.5m, or $1.16 a share, from $82.5m, or $1.08. Revenues were 12.1 per cent higher at $972m, against $867m.

For the first nine months, Nike's net earnings advanced 11.5 per cent to $288.1m, or $3.74, from $258.5m, or $3.38. Revenues grew 15.2 per cent to $2.95bn from $2.56bn.

In the US, sales rose 14 per cent in the quarter to $655.7m, with growth led by footwear revenues, which were 15 per cent higher at $548.2m.

The company's total international sales were 4 per cent higher at $265.2m. The company said international revenues would have been 11 per cent higher had dollar exchange rates remained constant. Although international footwear sales slid 1 per cent to $204.1m in the quarter, apparel sales rose 25 per cent to $61.1m.

In Europe, Nike said it was investing aggressively in the Nike brand. The company expects its fully-integrated automated information systems to come on line this month. This should provide greater communication and coordination between European countries.

A troublesome brew in Germany's chemical industry

Recession, state intervention, a rising D-Mark and competition are responsible, writes Christopher Parkes

ONE of the more predictable features of recession is that it eventually goes away. But there are few consolations to the other spectres stalking Germany's chemicals industry.

Some are familiar. High labour and environmental costs have haunted manufacturers for years. Now, with government intervention, the rise of the D-Mark and the rapid increase in competition from low-cost manufacturers in Asia and elsewhere, labour and environmental costs are disturbing German management's sleep more than they used to.

The effects of medical service reforms, imposed from January by Mr Horst Seehofer, the new health minister, have had a dramatic immediate effect on the pharmaceuticals trade.

This was underlined this week when BASF followed its announcement of a 41 per cent profits slump last year with news that short-time working was to be introduced at its Knoll drugs subsidiary.

BASF said sales of some prescription drugs fell by 40 per cent in the first two months of Mr Seehofer's reforms.

Apart from prescription limits and higher charges for patients, the industry is having to cope with stringent price controls and cuts.

Drugs, traditionally the non-cyclical buffer cushioning German chemical company profits, now seem drained of their power to protect.

According to Mr Jochen Hückmann, a spokesman for the pharmaceuticals industry in the state of Hesse, the net effect of Mr Seehofer's economy package will be a reduction in earnings of between 20 and 30 per cent.

He estimates that local manufacturers, which account for almost 20 per cent of all German drugs output, suffered an average 24 per cent fall in sales during January.

Meanwhile, at the bulk chemicals end of the production scale, the area most sensitive to cyclical swings, the industry has been dismayed by Chancellor Helmut Kohl's decision that the rump of east German industry is to be retained as a core element in the region's recovery programme.

Remarking on the Treuhand privatisation agency's plan to spend another DM1bn this year on restructuring, Mr Wolfgang Hilger, chairman of Hoechst, questioned mildly if there were markets enough to absorb the east's output.

He asked, more sharply, if investments on this scale were sensible and if the government was not committing itself to filling a bottomless bucket.

The chemicals industry is dismayed by Chancellor Helmut Kohl's decision that the rump of its east German counterpart will be a core element in the region's recovery programme. On the Treuhand privatisation agency's plan to spend another DM1bn this year on restructuring in the east, Mr Wolfgang Hilger, Hoechst chairman, (left) asks if the government is not filling a bottomless bucket.

The answers appear clear enough. But, in the absence of discernible signs of new industrial growth in the former DDR, the government is not going to change its mind.

Meanwhile, although Bonn may ease some of its more rigorous strictures on the health service, Mr Seehofer's intervention and trends in international markets indicate that margins and profits will continue to be squeezed.

How successfully the German industry picks its way across this dramatically altered landscape remains to be seen. The direction it has taken has been clear for some time, but the pace has been slow and hesitant.

Although average profits fell by 25 per cent in 1990 and 20 per cent in 1991, it was not until last year, when earnings fell 30 per cent, that there was serious reduction in the numbers of people employed. More than 20,000 jobs are expected to go this year – following a mere 8,000 job cuts in 1991.

Structural adjustment has also been sluggish and not always successful. Among Germany's big three, BASF is most dependent on mainstream chemicals. Accordingly, it has suffered most.

Ironically, most of BASF's difficulties stem from its "non-chemical" activities, which include heavy lossmakers such as magnetic tapes.

These businesses, which together account for some 48 per cent of sales, are estimated to contribute just 2 per cent of profits. But change is coming – through a DM4.6bn investment in a pipeline network, which will bring in Russian gas and oil, plus a stable flow of profits. Energy interests already account for around 25 per cent of group earnings.

Meanwhile, the company is trying to escape Germany's high-cost trap by placing chemicals investment abroad.

A new steam cracker opens in Antwerp later this year, for example, and 60 per cent of the group's European spending outside the home market this year will go to the Belgian site. In another more recent structural move, it swapped its acrylics business for ICI's polypropylene interests.

Both strategies are driven by BASF's conviction that building up critical mass and a cost-competitive edge in core sectors will help it resist the capacity cuts widely believed necessary in the European chemicals industry. It hopes this will enable it to emerge from the anticipated bloodletting in the European chemicals sector relatively unscathed.

The recent decision by Hoechst to merge its PVC activities with Wacker Chemie, accompanied by reorganisation at Celanese, was aimed at the same end.

Bayer sits on its laurels as the first of Germany's big three to bite decisively into its costs. Until now, it has been a distinct favourite among investors, who are content with the estimated 75 per cent contribution to profits from its drugs and information technology businesses. But last week's 16 per cent fall in annual profits to DM2.7bn showed not even the one of the big streamlined chemicals companies can escape the grip of world recession.

Credit Lyonnais takes over Peru bank

By Sally Bowen in Lima

CREDIT Lyonnais has become the first foreign bank for many years to assume majority control over a domestic Peruvian bank.

The French bank has regained control of the Banco de Lima after having a minority holding for a considerable time.

Legislation hostile to foreign participation had forced Credit Lyonnais to reduce its original majority stake in the Lima bank, which was founded in 1952, to under 20 per cent.

To regain overall control, Credit Lyonnais has increased its capital in the Banco de Lima by $8m.

The French bank said that it would seek to play a role in the forthcoming privatisation of Peru's state-owned companies and the development of the country's capital markets.

Credit Lyonnais holds some $200m of Peruvian debt paper, including around $50m in short-term working capital debt – expected to be the first to be accepted in privatisations.

Loss deepens at Brazilian clothier

By Bill Hinchberger in Sao Paulo

SAO PAULO Alpargatas, Brazil's largest footwear and clothing manufacturer, suffered a loss of $83.2m last year, compared with a deficit of $37.7m the previous year.

Last year's sales of $479.2m were down by 11 per cent, with exports accounting for $33.3m.

"The loss was principally due to lower sales volumes and tighter margins, exacerbated by the adjustment of stocks to lower market values and costs related to company restructuring," said Mr Diego J. Bush, Alpargatas chairman, in a stockholder statement.

● Embratel, the state-controlled long-distance telecommunications company, announced profits of $240m in 1992, up from $153.3m in 1991.

The company invested $528m, 80 per cent of which was funded without borrowing. It plans $700m of new investment this year, including the laying of optic fibre transmission lines between some of Brazil's major cities.

● Usiminas, the steel producer privatised in 1991, announced profits of $123.4m in its first full year as a privately-owned company. The result was up by 95 per cent from 1991.

Brierley sells US motel stake

By Terry Hall in Wellington

BRIERLEY Investments, the New Zealand-based hotels and investment group, is selling its 18.6 per cent stake in La Quinta Motor Inns, a US motel group, for NZ$112.5m (US$59m).

Brierley paid NZ$82m for the stake. The sale is part of the investment group's strategy to withdraw from the US and reorientate itself on Asia, Australian and New Zealand.

U.S. $75,000,000

Christiania Bank og Kreditkasse

Floating Rate Subordinated Notes Due 1994

Interest Rate	5¼% per annum
Interest Period	15th March 1993 15th September 1993
Interest Amount per U.S. $10,000 Note due 15th September 1993	U.S. $268.33

Credit Suisse First Boston Limited
Agent

Bankers Trust
New York Corporation
U.S. $300,000,000
Floating Rate Subordinated Notes due 2000

For the three months 15th March, 1993 to 15th June, 1993 the Notes will carry an interest rate of 5% per annum and interest payable on the relevant interest payment date 15th June, 1993 will be U.S. $127.78 per U.S. $10,000 Note and U.S. $3,194.44 per U.S. $250,000 Note.

Bankers Trust Company, London — Agent Bank

The Bear Stearns Companies Inc
(A corporation organised under the laws of the State of Delaware, USA)

U.S. $200,000,000
Floating Rate Notes due 1994

For the three month period 15th March, 1993 to 15th June, 1993 the Notes will carry an interest rate of 3⅜% per annum with an interest amount of U.S. $87.85 per U.S. $10,000 Note payable on 15th June, 1993.

Bankers Trust Company, London — Agent Bank

This mini-prospectus is issued in compliance with the requirements of the London Stock Exchange pursuant to Section 154 of the Financial Services Act 1986. The issue of this mini-prospectus has been authorised by the London Stock Exchange without approval of its contents.

This document contains the procedure for application for Ordinary Shares of 1 pence each in Atreus PLC, an Application Form and statements of a factual nature drawn from the listing particulars dated 24 February 1993 (the "listing particulars") which have been published by Atreus PLC and should be read in conjunction with the listing particulars which alone contain full details of the history and business of Atreus, the Acquisition and the Merger. The Directors are satisfied that this mini-prospectus notice contains a fair summary of the key information set out in the listing particulars. Application has been made to the London Stock Exchange for the whole of the share capital of Atreus, issued and to be issued, to be admitted to the Official List.

Definitions set out in the listing particulars shall also apply in this document unless the context requires otherwise.

ATREUS PLC

Incorporated and registered in England and Wales under the Companies Act 1985 under number 2850119

Placing and Public Offer

by Sheppards

of 27,500,000 Ordinary Shares of 1p each at 20p per share payable in full on application of which 11,250,000 are being placed and 16,250,000 are being offered to the public

The application lists for the Ordinary Shares which are the subject of the Public Offer will open at 10.00 a.m. on Monday 22 March 1993 and may be closed at any time thereafter. The procedure for application and an Application Form in respect of the Public Offer are set out at the end of this document. It is expected that listing will become effective and that dealings in the Ordinary Shares will commence on Friday 26 March 1993. Upon Admission, the Ordinary Shares which are the subject of the Placing and the Public Offer will rank *pari passu* in all respects with the existing issued ordinary shares of Atreus PLC and will rank in full for all dividends or other distributions thereafter declared, made or paid on the ordinary share capital of the Company. The London Stock Exchange has authorised the issue of this document under Section 154(1)(b) of the Financial Services Act 1986 without approving its contents. This document is not for distribution outside the UK, nor should it be treated as an offer or solicitation outside the UK. Following the Merger, Acquisition and Offer, the authorised and issued share capital of the Company will be as follows:

Authorised Number	Authorised Amount		Issued and fully paid Number	Issued and fully paid Amount
50,000,000	£500,000	in ordinary shares of 1p each	36,051,123	£360,511

Indebtedness

At the close of business on 5 February 1993, the URSI Group and the DB (UK) Group (which will become subsidiaries of Atreus PLC on completion of the Merger and Acquisition) had in aggregate outstanding secured bank borrowings of £834,000 and hire purchase obligations (secured) of £42,000.

Save as aforesaid and apart from intra-group indebtedness, at the close of business on that date neither Atreus PLC nor DB (UK) Holdings plc nor URSI, nor any of their subsidiaries had outstanding any loan capital (including term loans) whether issued or created but unissued, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, hire purchase commitments, finance lease obligations, mortgages, charges, guarantees or other material contingent liabilities.

At the close of business on 5 February 1993, the URSI Group and the DB (UK) Group had cash amounting to £1,235,226.

Description of the Enlarged Group's businesses

Following the Merger and the Acquisition, the business of Atreus will comprise that of the DB (UK) Group and also that of URSI, which is not expected to form part of the future business of Atreus. It is intended to dispose of the existing business of URSI and an agreement has been put in place to enable this disposal to be effected without any further liability, in respect of this business, accruing to Atreus.

The DB (UK) Group comprises four wholly owned trading companies: Alumplast, Leda Glass, Selecta and D&B Marketing. They collectively design, manufacture, market and sell a range of shower screens, shower enclosures and mirrors, principally in the bathroom market.

The Directors believe that the DB (UK) Group currently supplies approximately 35 per cent. of the over-bath shower screen market in the UK, through three distinct markets being (1) Builders and Plumbers Merchants and Bathroom Retail Specialist, (2) DIY Superstores and (3) Mail Order.

Executive Management

The executive management of Atreus will comprise Bruce Ledwith, David Howarth (both currently directors of DB (UK)), Gerry CecIich and Rodney Hamett. Sales and marketing will be the responsibility of Bruce Ledwith, and David Howarth will have responsibility for manufacturing and product development. Gerry Ceclich will act as Finance Director of Atreus, and Rodney Hamett will be Executive Chairman with specific responsibility for the strategic development of Atreus.

Estimated profit of the DB (UK) Group for year to 31 January 1993

The estimated results for the DB (UK) Group for the year ended 31 January 1993 are as follows:

Turnover	£6,192,000
Profit before tax	£1,103,000
Profit after tax	£731,000
Earnings per Ordinary Share (see note 1 below)	2.03p

Offer statistics

Offer price per Ordinary Share	20p
Number of Ordinary Shares in issue following the Offer	36,051,123
Market capitalisation at the Offer price	£7,210,225
Net proceeds of the Offer	£5,000,000
Estimated earnings multiple at the Offer price	9.85
Notional gross dividend per Ordinary Share	1.0p
Notional gross dividend yield at the Offer price (see note 2 below)	5 per cent.
Notional net dividend cover (see note 2 below)	2.7 times
Pro forma net tangible assets per Ordinary Share	9.44p

Notes:

(1) The basis of calculation of the forecast earnings per Ordinary Share is based on 36,051,123 Ordinary Shares being in issue.

(2) The calculation of the notional gross dividend yield and the notional net dividend cover is based on a notional gross dividend of 1p per Ordinary Share as described in the paragraph "Dividend Policy" below.

Dividend Policy

Had the Ordinary Shares issued in connection with the Offer been listed throughout the year to 31 January 1993, and on the basis of the profit estimate referred to above, the Directors would have expected to have recommended dividends totalling 0.75p net per Ordinary Share for the year ended 31 January 1993 (which together with the related tax credit at 25 per cent. would be equivalent to 1p per Ordinary Share). On that basis, the gross dividend yield on the Ordinary Shares at the Offer price would be 5 per cent.

In future years it is intended to pay an interim dividend in or around November and a final dividend in or around May of each year. The Directors intend that, in future years, approximately one third of total annual dividends will be paid as an interim dividend and two thirds as a final dividend.

Strategy

The Directors intend to continue with the strategic introduction of products to complement the DB (UK) Group's existing product ranges. This will enable the Directors to take advantage of the DB (UK) Group's existing manufacturing, design and marketing capabilities and to exploit the "Selecta" brand name.

The DB (UK) Group, which currently sells principally to the UK, intends to increase its sales through direct exports into selected European markets, in particular concentrating initially on France, Spain and Scandinavia.

The Directors will consider acquisitions that will complement the existing product ranges of the DB (UK) Group.

This strategy is intended to realise the DB (UK) Group's key objective to become a leading supplier of quality screens, mirrors, and panels and complementary products for the home improvement and commercial markets in the UK and Europe.

Prospects

The Directors consider that the number of households with over-bath showers and shower screens will increase and, as a result, demand for the DB (UK) Group's products will continue to grow.

Furthermore, in spite of the recessionary conditions which prevail in the United Kingdom, they consider that the DB (UK) Group is well positioned within its markets and will therefore be able to take advantage of any improvements in the general economic conditions.

The Directors therefore consider the prospects for the Company to be encouraging.

Expected timetable of events

Closing date for receipt of applications in respect of the Public Offer	10.00 a.m. on Monday 22 March 1993
Despatch of letters of acceptance in respect of the Public Offer	Thursday 25 March 1993
Dealings expected to commence	Friday 26 March 1993
Last date for splitting	Tuesday 27 April 1993
Last date for registration of renunciation	Thursday 29 April 1993
Despatch of definitive share certificates	Thursday 27 May 1993

Copies of the Listing Particulars relating to the above may be obtained during normal business hours on any workday, Saturdays and public holidays excepted, up to and including 18 March 1993 from the Company Announcements Office at the London Stock Exchange, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC2 (for collection only) and up to 30 March 1993 from:

Sheppards
No. 1 London Bridge, London SE1 9QU

The Royal Bank of Scotland plc,
Registrar's Department, PO Box 451,
Owen House, 8 Bankhead Crossway North,
Edinburgh EH11 0MU

The Royal Bank of Scotland plc,
Registrar's Department,
67 Lombard Street, London EC3P 3DL

Atreus PLC,
70 Newhall Street, Birmingham B3 3LX

PROCEDURE FOR APPLICATION—PUBLIC OFFER

The following instructions should be read in conjunction with the Application Form.

1 Insert in Box 1 (in figures) the number of Ordinary Shares for which you are applying. Applications must be for a minimum of 500 Ordinary Shares and in one of the following multiples:
— for more than 500 Ordinary Shares, but not more than 5,000 Ordinary Shares, in a multiple of 500 Ordinary Shares,
— for more than 5,000 Ordinary Shares, but not more than 25,000 Ordinary Shares, in a multiple of 2,500 Ordinary Shares; and
— for more than 25,000 Ordinary Shares, but not more than 100,000 Ordinary Shares, in a multiple of 5,000 Ordinary Shares, and
— for more than 100,000 Ordinary Shares, in a multiple of 25,000 Ordinary Shares.
An Application Form for any other number of Ordinary Shares may be rejected.

2 Insert in Box 2 (in figures) the amount of your payment.
The amount of your cheque or banker's draft should be 20p multiplied by the number of Ordinary Shares inserted in box 1.

3 Sign and date the Application Form in Box 3.
The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised by power of attorney to do so, but the power of [illegible]

4 [illegible]

5 [illegible]
[illegible] for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner.
Applications may be accompanied by a cheque or banker's draft drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person(s) named in Boxes 4 and 6 (if any).

6 You may apply jointly with up to three other persons.
If you do so, you must then arrange for the Application Form to be completed by or on behalf of each joint applicant (up to a maximum of three other persons, in addition to the first applicant). Their full names and addresses should be put in BLOCK CAPITALS in Box 6. Letters of acceptance in the names of joint applicants will be sent to the applicant named in Box 4.
IMPORTANT: If you make a joint application, you will not be able to transfer the Ordinary Shares into a PEP. If you are interested in transferring your Ordinary Shares into a PEP you should apply in your name only.

7 Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should sign in Box 3 and complete Box 4).
If any individual is signing on behalf of any joint applicant(s), the power(s) of attorney (or a copy (copies) certified by a solicitor) must be enclosed for inspection.

8 If you are unable to warrant in the terms of any of points (i), (ii) or (iii) set out below in Box 7, you must delete the relevant warranty and give such further information as is requested.

You must send the completed Application Form together with the cheque or banker's draft by post to the The Royal Bank of Scotland plc, Registrars Department, PO Box 451, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0NU, or by hand, to The Royal Bank of Scotland plc, Registrar's Department, 67 Lombard Street London EC3P 3DL, so as to be received not later than 10.00 a.m. on Monday 22 March 1993.
If you post your Application Form, you are recommended to use first class post and allow at least two working days for delivery. Photostat copies of Applications Forms will not be accepted. Multiple or suspected multiple applications may be rejected in their entirety.

Public Offer Application Form

Before making any application to acquire shares you are recommended to consult an independent financial adviser authorised under the Financial Services Act 1986.

Public Offer by Sheppards of 16,250,000 Ordinary Shares of 1p each in Atreus PLC ("Ordinary Shares") at 20p per Ordinary Share, payable in full on application

1 I/We offer to acquire [ ] Ordinary Shares at the Offer price of 20p per Ordinary Share (or any smaller number of Ordinary Shares for which this application is accepted) payable in full on application on the terms and conditions set out in this Application Form and the Listing Particulars dated 24 February 1993 and subject to the memorandum and articles of association of Atreus PLC

2 and I/we attach a cheque or banker's draft for the amount payable to "The Royal Bank of Scotland plc A/C Atreus PLC Offer" £
(20p multiplied by the number of Ordinary Shares inserted in Box 1).

3 Dated 1993 | Signature

4 Please use BLOCK CAPITALS
Forename(s) (in full)
Mr, Mrs, Ms, Miss or title
Surname
Minor's forename(s) (in full)
Surname | Date of birth
Address (in full)
Postcode

5 or ☐ Pin here your cheque or banker's draft made payable to "The Royal Bank of Scotland plc A/C Atreus PLC Offer" and crossed "Not negotiable" for the amount in Box 2

FOR OFFICIAL USE ONLY
1. Form no.
2. Acceptance no
3. Shares allocated
4. Amount received £
5. Amount payable £
6. Amount returned £
7. Cheque no.
8. Splits registration

Fill in Boxes 6 and 7 only when there is more than one applicant. The first or sole applicant should sign in Box 3 and complete Box 4. Insert in Box 6 the names and addresses of the second and subsequent applicants, each of whose signature is required in Box 7.
N.B. If you make a joint application, you will not be able to transfer the Ordinary Shares into a PEP.

6 Please use BLOCK CAPITALS

Forename(s) (in full) Mr, Mrs, Ms, Miss or title Surname Address (in full) Postcode	Forename(s) (in full) Mr, Mrs, Ms, Miss or title Surname Address (in full) Postcode	Forename(s) (in full) Mr, Mrs, Ms, Miss or title Surname Address (in full) Postcode

7 Signature | Signature | Signature

Except to the extent that you delete any of the following, you warrant that:
(i) I/We am/are not applying as, or as (a) nominee(s) or agent(s) for, (a) person(s) who is/are or may be persons mentioned in section 93 or section 96 of the Finance Act 1986 [illegible]
(ii) [illegible]
(iii) [illegible]

Applications should be received by 10.00 a.m. on Monday 22 March 1993. [illegible]

INTERNATIONAL COMPANIES AND FINANCE

Doubts put share price surge on the line for NTT investors

Michiyo Nakamoto and Emiko Terazono look into the background to the turnround in the Japanese group's stock

IT IS difficult not to regard the rally in the share price of Nippon Telegraph and Telephone, Japan's telecommunications group, with at least a degree of suspicion.

After sliding steadily for the past five years, the country's most widely-held stock has gained 31.5 per cent in just 10 days from Y616,000 on February 26 to Y810,000 on March 12. Yesterday, the issue took a breather and closed down Y7,000 at Y803,000 ($6,819).

NTT's dramatic rise was the force behind last week's 1,219.82-point surge on the Tokyo stock exchange which took the Nikkei index over 18,000 for the first time since September 25.

The ostensible trigger for the new surge in NTT has been a number of developments suggesting the group may at last be finding its way out of a situation in which it faces growing competition, falling market share and slumping profits.

In the past few weeks there have been hints that the semi-private telecommunications group may be allowed to raise its call rates, and comments by senior government officials indicating they are keen to support the issue. In addition, there has been talk of public investment projects in a new telecommunications infrastructure.

The combination of these developments has spurred excitement over the group's near-term prospects.

But the timing of the rise in NTT, just before corporate Japan closes its accounts at the end of this month, arouses suspicions as to whether the fact these developments have all come at the same time is merely a coincidence.

"It was very cleverly timed," says an analyst at Nomura Research Institute, the research arm of Nomura Securities. If any of the positive factors cited are realised, it would be good news for NTT.

For example, reducing the time of a call from Y10 for three minutes to Y10 for 90 seconds – the likely in a rate rise – would double NTT's operating profits by 1994, according to Mr Eric Gan, industry analyst at Kleinwort Benson.

In recent months, NTT has been *lobbying heavily for* a rise, fuelling speculation it has won some government support for its case.

"The time has finally come when we must really push for a price rebalance. Unless we do something the situation is going to affect our capital investments," said Mr Tomeo Kanbayashi, vice-president. He was speaking at the group's announcement of its business plan for 1993 which was submitted to the ministry of posts and telecommunications last *month*.

The group has announced a restructuring programme to reduce the number of employees by 30,000 over the next three years and retail outlets by a third.

Comments made by a government official last week, accepting the need for an increase in pay phone rates, seemed to suggest government sympathy for NTT's cause.

NTT enthusiasts argue that the government, which still owns 65 per cent of NTT shares, *has plenty of reasons* for wanting to see the share price rise.

More than any other issue, NTT symbolises the hopes, and fears, of Japan's individual investors, many of whom invested in stocks for the first time when the government sold its first tranche in February 1987 for Y1.19m a share. By April 22 1987, the shares had climbed to a peak of Y3.18m.

However, a series of financial scandals, the plunge in the Tokyo stock market and con*cerns over NTT's business* prospects led to a spectacular fall in the share price.

In the past three years, the issue has lost 80 per cent of its value, hitting an all-time low of Y453,000 last August.

Individual investors have become thoroughly disillusioned with NTT, with the brokers who recommended the issue and the authorities who appeared to have betrayed the public trust.

A strong rise in NTT would go a long way to lifting inves*tor sentiment and help prepare* the way for the launch this August of shares in JR East, a regional railway company created by the break-up of the state-owned Japan Railways, and in Japan Tobacco, in future.

The ministry of finance, which has been forced to postpone a fourth sale of NTT shares due to the market's weakness, *could also do with* the income to help pay for Japan's emergency spending package.

Furthermore, a rise in NTT's share price would help many of its corporate shareholders before the closing of their books this month.

Thus, the government could kill several birds with one stone by ensuring that NTT's share price rises.

The third bullish factor supporting NTT's rise has been the idea of a public works project focused on a new telecommunications infrastructure to stimulate the sagging domestic economy.

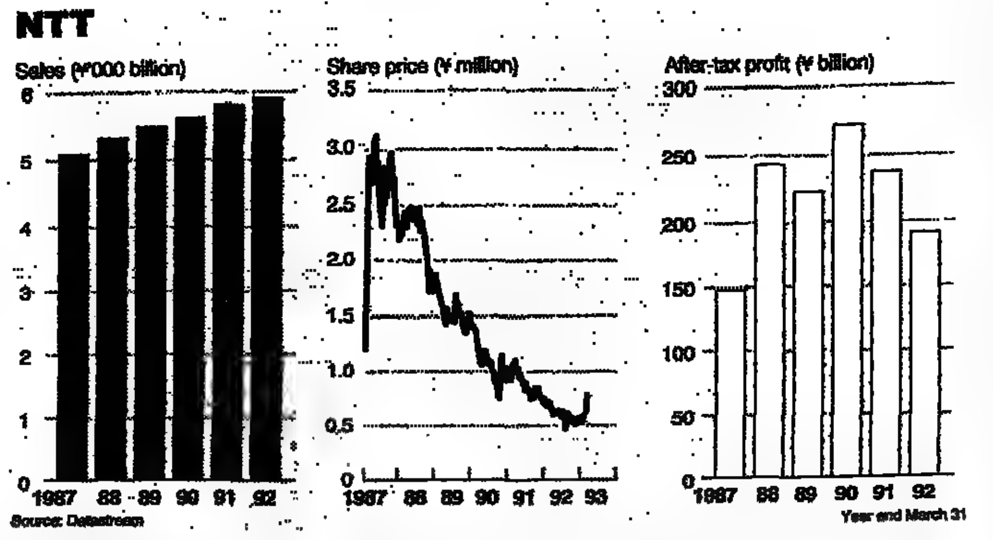
However, there is little concrete evidence to suggest that NTT will be able to get what it wants. The ministry of posts and telecommunications, has publicly expressed no sympathy for a rate hike in anything but pay phones. On the contrary, the ministry has continued to take a hard stance on an increase in other local call rates.

"We believe that if NTT restructures its local call operations it could actually make a profit there. If that happens, NTT may end up subsidising its long-distance operations, where it faces competition, with profits from its *local call business*, where it has a monopoly," says Mr Kazuhiro Suda, director of the tariff division in the ministry's telecommunications bureau.

Meanwhile, *plans* for a government project to build a new telecommunications infrastructure have been roundly criticised by the ministry of international trade and industry, which believes such a move would undermine the whole purpose of having privatised NTT in the first place.

The question for investors then is how far those who are interested in talking up the share price are prepared to go, and, perhaps more crucially, how long will other investors be prepared to believe them.

NTT



Source: Datastream

Pfizer wins ruling on heart valve case review

By Karen Zagor in New York

PFIZER, one of the fastest-growing US pharmaceutical companies, has won a favourable ruling in a California Supreme Court regarding litigation over the company's Shiley heart valve.

The company had petitioned the court to ask the Court of Appeal to review two cases which would allow out-of-state recipients of the Shiley valve to file lawsuits in California. The Supreme Court granted Pfizer's petition, paving the way for the decision to be re-examined.

The California decision is important for Pfizer because California courts are believed to be more supportive of consumers than other courts.

Pfizer has been trying to keep the Shiley litigation out of California, especially for patients who do not reside in the state.

The earlier court decision ruled that foreign valve recipients did not have the same constitutional rights as US citizens to sue in California. About 50,000 people have received the heart valves made by Pfizer's California unit.

Pfizer, which has been trying to put the Shiley litigation to rest for several years, last year filed a comprehensive plan in a Cincinnati court, including a $215m class action settlement and an additional $300m in reserves to settle fracture claims.

The plan was accepted by the court but in Pennsylvania is awaiting a federal appeals court review.

● Smith Corona, the US maker of portable typewriters, has predicted a substantial decline in third-quarter earnings. The company, 48 per cent owned by the Hanson group of the UK, blamed lacklustre economic recovery in the US and recession in Europe for its disappointing outlook.

Although the company expects a sharp drop in third-quarter earnings, it expects to remain in the black. In last year's third quarter to March 31, Smith Corona earned $4.9m, or 16 cents a share.

Vontobel to lift dividend after 10% advance

By Ian Rodger in Zurich

VONTOBEL, the Zurich private banking group, reported that consolidated net profit rose 9.9 per cent in calendar 1992 to SFr24.5m ($15.9m).

Operating income was up 7.6 per cent at SFr168.9m, with trading income jumping 30 per cent to SFr32.4m and net interest income rising 25.2 per cent to SFr29.3m. Net commission income was down 3.1 per cent to SFr93m.

The directors of Vontobel Holding, the group's quoted parent company, said they would propose an increase in dividends for its year to March 31 1993, but the amount had not yet been decided.

Losses deepen at Aerospatiale

By David Buchan in Paris

FRANCE'S two leading aircraft makers yesterday provided further evidence of the problems afflicting the industry. Aerospatiale revealed a loss of between FFr1.5bn ($265m) and FFr2bn for last year, and Dassault Aviation forecast a small profit on reduced turnover this year.

In an interview with *Les Echos*, published yesterday, Mr Louis Gallois, president of state-owned Aerospatiale, said that the losses, after a first-half deficit of FFr477m, had deepened in the last six months of 1992.

Turnover last year was FFr51bn, but Mr Gallois forecast that 1993 would be "a year of dead water, without dramas but without any pick-up in the market".

Dassault executives said the company's turnover would fall about 10 per cent this year from the FFr14.4bn level recorded in the past two years.

However, profit would be of the same order of around FFr100m achieved in 1992 and 1991 because the company had cut costs and personnel, with the latter falling to 10,000 by end-1993.

But the Dassault officials were more optimistic about the company's medium-term future. Orders booked last year rose to FFr21.5bn, thanks largely to the sale of 60 Mirage 2000-5 fighters to Taiwan, a contract which Dassault coyly still refuses to confirm publicly because of China's hostile reaction to the deal.

By 1995, when Dassault's new range of business jet, the Falcon 2000, starts rolling off the production line, the company expects turnover to start rising again.

Senior Dassault executives said it might be "a good idea" if the new conservative government, which is expected to take power after this month's elections, were to include the company in its privatisation programme and sell some of the French state's 46 per cent stake in the company.

Sextant Avionique, the avionics joint venture between Aerospatiale and Thomson CS, also forecast its turnover would continue to fall this year. But, like Dassault Aviation, it recorded an increase in orders booked last year.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, March 15, 1993 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	69.1878	41.6579	58.3823
Albania	(Lek)	157.52	109.808	66.1154	92.6588
Algeria	(Dinar)	32.907	22.9397	13.8119	19.357
Andorra	(Fr Fr)	8.1025	5.6483	3.4008	4.7661
	(Sp Peseta)	170.10	118.578	71.3955	100.059
Angola	(Kwanza)	9996.18	6968.41	4195.67	5880.11
Antigua	(E Carr $)	3.8664	2.6952	1.6228	2.2743
Argentina	(Peso)	1.43275	0.9987	0.6013	0.8427
Aruba	(Florin)	2.5633	1.7868	1.0758	1.5078
Australia	(Aus $)	2.0350	1.4186	0.8541	1.197
Austria	(Schilling)	16.765	11.6869	7.0367	9.8617
Azores	(Port Escudo)	221.25	154.235	92.8646	130.147
Bahamas	(Bahama $)	1.4345	1	0.602	0.8438
Bahrain	(Dinar)	0.5395	0.376	0.2264	0.3173
Balearic Is	(Sp Peseta)	170.10	118.578	71.3955	100.059
Bangladesh	(Taka)	56.0089	39.0441	23.5084	32.9464
Barbados	(Barb $)	2.8802	2.0078	1.2088	1.6942
Belgium	(Belg Fr)	49.05	34.193	20.5876	28.8529
Belize	(B $)	2.8640	1.9965	1.202	1.6847
Benin	(CFA Fr)	405.125	282.415	170.042	238.309
Bermuda	(Bermudian $)	1.4345	1	0.602	0.8438
Bhutan	(Ngultrum)	44.8060	31.2345	18.8062	26.3564
Bolivia	(Boliviano)	5.9428	4.1427	2.4943	3.4957
Botswana	(Pula)	3.3759	2.3533	1.4169	1.9858
Brazil	(Cruzeiro)	31825.25	22185.6	13357.9	18720.7
Brunei	(Brunei $)	2.3580	1.6437	0.9897	1.387
Bulgaria	(Lev)	37.88	26.4064	15.8992	22.2823
Burkina Faso	(CFA Fr)	405.125	282.415	170.042	238.309
Burma	(Kyat)	9.4752	6.6052	3.9769	5.5736
Burundi	(Burundi Fr)	350.42	244.28	147.081	206.129
Cambodia	(Riel)	2864.00	1996.51	1202.1	1684.71
Cameroon	(CFA Fr)	405.125	282.415	170.042	238.309
Canada	(Canadian $)	1.7870	1.2457	0.75	1.0511
Canary Is	(Sp Peseta)	170.10	118.578	71.3955	100.059
Cp. Verde	(CV Escudo)	106.2544	74.0706	44.5978	62.5025
Cayman Is	(CI $)	1.2172	0.8485	0.5108	0.716
Cent. Afr. Rep	(CFA Fr)	405.125	282.415	170.042	238.309
Chad	(CFA Fr)	405.125	282.415	170.042	238.309
Chile	(Chilean Peso)	571.90	398.675	240.042	336.412
China	(Renminbi Yuan)	8.2169	5.728	3.4488	4.8334
Colombia	(Col Peso)	1191.19	830.387	499.975	700.7
CIS ♣	(Rouble)	0.8443o	0.5885	0.3543	0.4966
		934.38m	651.363	392.185	549.635
Comoros	(CFA Fr)	405.125	282.415	170.042	238.309
Congo (Brazz)	(CFA Fr)	405.125	282.415	170.042	238.309
Costa Rica	(Colon)	197.93	137.978	83.0766	116.429
Côte d'Ivoire	(CFA Fr)	405.125	282.415	170.042	238.309
Croatia	(Dinar)	1945.7766	1356.41	816.695	1144.57
Cuba	(Cuban Peso)	1.0846	0.756	0.4552	0.638
Cyprus	(Cyprus £)	0.7149	0.4983	0.3	0.4205
Czech Rep.	(Koruna)	41.754c	29.107	17.5252	24.5611
		40.150t	27.9888	16.852	23.6176
Denmark	(Danish Kroner)	9.1700	6.3924	3.8488	5.3941
Djibouti Rep	(Djib Fr)	251.00	174.974	105.352	147.647
Dominica	(E Carrib $)	3.8664	2.6952	1.6228	2.2743
Dominican Rep	(D Peso)	18.6160	12.9773	7.8136	10.9505
Ecuador	(Sucre)	2662.09o	1855.76	1117.35	1565.94
		2649.20a	1846.78	1111.94	1558.35
Egypt	(Egyptian £)	4.7500	3.3112	1.9937	2.7941
El Salvador	(Colon)	12.5300	8.7347	5.2591	7.3705
Equat'l Guinea	(CFA Fr)	405.125	282.415	170.042	238.309
Estonia	(Kroon)	19.184	13.3733	8.052	11.2847
Ethiopia	(Ethiopian Birr)	7.0860	4.9397	2.9741	4.1682
Falkland Is	(Falk £)	1.00	0.6971	0.4197	0.5882
Faroe Is	(Danish Kroner)	9.1700	6.3924	3.8488	5.3941
Fiji Is	(Fiji $)	2.2230	1.5496	0.933	1.3076
Finland	(Markka)	8.7075	6.07	3.6547	5.122
France	(Fr)	8.1025	5.6483	3.4008	4.7661
Fr. Cty/Africa	(CFA Fr)	405.125	282.415	170.042	238.309
Fr. Guiana	(Local Fr)	8.1025	5.6483	3.4008	4.7661
Fr. Pacific Is	(CFP Fr)	146.00	101.778	61.2801	85.8823
Gabon	(CFA Fr)	405.125	282.415	170.042	238.309
Gambia	(Dalasi)	12.1720	8.4851	5.1089	7.16
Germany	(D-Mark)	2.3825	1.6608	1	1.4014
Ghana	(Cedi)	860.7522	600.036	361.281	506.325
Gibraltar	(Gib £)	1.00	0.6971	0.4197	0.5882
Greece	(Drachma)	322.70	224.956	135.446	189.824
Greenland	(Danish Krone)	9.1700	6.3924	3.8488	5.3941
Grenada	(E Carr $)	3.8664	2.6952	1.6228	2.2743
Guadaloupe	(Local Fr)	8.1025	5.6483	3.4008	4.7661
Guam	(US $)	1.4345	1	0.602	0.8438
Guatemala	(Quetzal)	8.1008	5.6471	3.4001	4.7651
Guinea	(Fr)	1163.20	810.875	488.227	684.235
Guinea-Bissau	(Peso)	7160.00	4991.29	3005.25	4211.76
Guyana	(Guyanese $)	180.4320	125.78	75.7322	106.136
Haiti	(Goude)	17.1840	11.979	7.2125	10.1082
Honduras	(Lempira)	8.4631	5.8996	3.5521	4.9782
Hong Kong	(HK $)	11.0880	7.7295	4.6539	6.5223
Hungary	(Forint)	124.8990	87.0679	52.4235	73.47
Iceland	(Icelandic Krona)	94.12	65.6117	39.5047	55.3647
India	(Indian Rupee)	44.8060	31.2345	18.8062	26.3564
Indonesia	(Rupiah)	2971.625	2071.54	1247.27	1748.01
Iran	(Rial)	2200.00v	1533.64	923.4	1294.12
		98.50o	68.665	41.3431	57.9411
Iraq	(Iraqi Dinar)	0.5936	0.4138	0.2491	0.3491
Irish Rep	(Punt)	0.9795	0.6828	0.4111	0.5761
Israel	(Shekel)	4.0170	2.8002	1.686	2.3629
Italy	(Lira)	2302.25	1604.91	966.317	1354.26
Jamaica	(Jamaican $)	31.6042	22.0315	13.2651	18.5907
Japan	(Yen)	170.00	118.508	71.3536	100
Jordan	(Jordanian Dinar)	0.9924	0.6918	0.4165	0.5837
Kenya	(Kenya Shilling)	81.6240	56.9006	34.2598	48.0141
Kiribati	(Australian $)	2.0350	1.4186	0.8541	1.197
Korea North	(Won)	3.0788	2.1462	1.2922	1.811
Korea South	(Won)	1136.975	792.593	477.219	668.809
Kuwait	(Kuwaiti Dinar)	0.44150	0.3077	0.1853	0.2597
Laos	(New Kip)	1031.04	718.745	432.756	606.494
Lebanon	(Lebanese £)	2508.86	1748.94	1053.04	1475.8
Lesotho	(Maluti)	4.58725	3.1977	1.9253	2.6983
Liberia	(Liberian $)	1.4345	1	0.602	0.8438
Libya	(Libyan Dinar)	0.4173	0.2909	0.1751	0.2454
Liechtenstein	(Swiss Fr)	2.1825	1.5214	0.916	1.2838
Luxembourg	(Lux Fr)	49.05	34.193	20.5876	28.8529
Macao	(Pataca)	11.4443	7.9779	4.8034	6.7319
Madagascar	(MG Fr)	2673.54	1863.74	1122.16	1572.67
Madeira	(Port Escudo)	221.25	154.235	92.8646	130.147
Malawi	(Kwacha)	6.3280	4.4112	2.656	3.7223
Malaysia	(Ringgit)	3.7295	2.5998	1.5653	2.1938
Maldive Is	(Rufiya)	17.1482	11.9541	7.1975	10.0871
Mali Rep	(CFA Fr)	405.125	282.415	170.042	238.309
Malta	(Maltese £)	0.5520	0.3848	0.2316	0.3247
Martinique	(Local Fr)	8.1025	5.6483	3.4008	4.7661
Mauritania	(Ouguiya)	151.7920	105.815	63.7112	89.2894
Mauritius	(Maur Rupee)	25.0314	17.4495	10.5063	14.7243
Mexico	(Mexican Peso)	4.4675	3.1143	1.8751	2.6279
Miquelon	(Local Fr)	8.1025	5.6483	3.4008	4.7661
Monaco	(French Fr)	8.1025	5.6483	3.4008	4.7661
Mongolia	(Tugrik)	214.80	149.739	90.1573	126.353
Montserrat	(E Carr $)	3.8664	2.6952	1.6228	2.2743
Morocco	(Dirham)	13.0713	9.112	5.4863	7.689
Mozambique	(Metical)	3959.34	2760.08	1661.84	2329.02
Namibia	(S A Rand)	4.58725	3.1977	1.9253	2.6983
Nauru Is	(Australian $)	2.0350	1.4186	0.8541	1.197
Nepal	(Nepalese Rupee)	65.3870	45.5817	27.4447	38.4629
Netherlands	(Guilder)	2.6775	1.8665	1.1238	1.575
N'nd Antilles	(A/Guilder)	2.5633	1.7868	1.0758	1.5078
New Zealand	(NZ $)	2.72025	1.8962	1.1417	1.6001
Nicaragua	(Gold Cordoba)	8.5920	5.9895	3.6062	5.0541
Niger Rep	(CFA Fr)	405.125	282.415	170.042	238.309
Nigeria	(Naira)	35.0840	24.4573	14.7257	20.6376
Norway	(Nor. Krone)	10.1375	7.0669	4.2549	5.9632
Oman	(Rial Omani)	0.5511	0.3841	0.2313	0.3241
Pakistan	(Pak. Rupee)	37.9348	26.4446	15.9222	22.3145
Panama	(Balboa)	1.4345	1	0.602	0.8438
Papua New Guinea	(Kina)	1.4015	0.9769	0.5882	0.8244
Paraguay	(Guarani)	2455.88	1712.01	1030.8	1444.64
Peru	(New Sol)	2.6200	1.8264	1.0996	1.5411
Philippines	(Peso)	35.5852	24.8066	14.936	20.9324
Pitcairn Is	(£ Sterling)	1.00	0.6971	0.4197	0.5882
	(NZ $)	2.72025	1.8962	1.1417	1.6001
Poland	(Zloty)	23902.00	16662.3	10032.3	14060
Portugal	(Escudo)	221.25	154.235	92.8646	130.147
Puerto Rico	(US $)	1.4345	1	0.602	0.8438
Qatar	(Riyal)	5.2107	3.6324	2.187	3.0651
Reunion Is. de la	(F/Fr)	8.1025	5.6483	3.4008	4.7661
Romania	(Leu)	840.35	585.814	352.718	494.324
Rwanda	(Fr)	211.830	147.668	88.9108	124.606
St Christopher	(E Carr $)	3.8664	2.6952	1.6228	2.2743
St Helena	(£)	1.00	0.6971	0.4197	0.5882
St Lucia	(E Carr $)	3.8664	2.6952	1.6228	2.2743
St Pierre	(French Fr)	8.1025	5.6483	3.4008	4.7661
St Vincent	(E Carr $)	3.8664	2.6952	1.6228	2.2743
San Marino	(Italian Lira)	2302.25	1604.91	966.317	1354.26
Sao Tome	(Dobra)	343.680	239.582	144.252	202.165
Saudi Arabia	(Riyal)	5.3750	3.7469	2.256	3.1617
Senegal	(CFA Fr)	405.125	282.415	170.042	238.309
Seychelles	(Rupee)	7.5037	5.2308	3.1495	4.4139
Sierra Leone	(Leone)	773.28	539.059	324.567	454.871
Singapore	($)	2.3580	1.6437	0.9897	1.387
Slovakia	(Koruna)	41.754c	29.107	17.5252	24.5611
		40.150t	27.9888	16.852	23.6176
Slovenia	(Tolar)	154.255	107.532	64.745	90.7382
Solomon Is	($)	4.5445	3.168	1.9074	2.6732
Somali Rep	(Shilling)	3751.84	2615.43	1574.75	2206.96
South Africa	(Rand)	4.58725c	3.1977	1.9253	2.6983
		6.66525g	4.6463	2.7975	3.9207
Spain	(Peseta)	170.10	118.578	71.3955	100.059
Spanish Ports in N Africa	(Sp Peseta)	170.10	118.578	71.3955	100.059
Sri Lanka	(Rupee)	67.1374	46.8019	28.1793	39.4925
Sudan Rep	(Dinar)	14.32	9.9825	6.0104	8.4235
Surinam	(Guilder)	2.5561	1.7818	1.0728	1.5035
Swaziland	(Lilangeni)	4.58725	3.1977	1.9253	2.6983
Sweden	(Krona)	11.2675	7.8546	4.7292	6.6279
Switzerland	(Fr)	2.1825	1.5214	0.916	1.2838
Syria	(£)	30.0720	20.9634	12.622	17.6894
Taiwan	($)	37.275	25.9846	15.6453	21.9264
Tanzania	(Shilling)	491.1760	342.402	206.16	288.927
Thailand	(Baht)	36.4444	25.4056	15.2967	21.4378
Togo Rep	(CFA Fr)	405.125	282.415	170.042	238.309
Tonga Is	(Pa Anga)	2.0350	1.4186	0.8541	1.19[illegible]
Trinidad/Tobago	($)	6.0860	4.25	2.5544	3.58
Tunisia	(Dinar)	1.4428	1.0057	0.6055	0.8487
Turkey	(Lira)	13475.91	9394.15	5656.21	7927.01
Turks & Caicos	(US $)	1.4345	1	0.602	0.8438
Tuvalu	(Australian $)	2.0350	1.4186	0.8541	1.197
Uganda	(New Shilling)	1742.07	1214.41	731.194	1024.75
U A E	(Dirham)	5.2675	3.672	2.2109	3.0985
United Kingdom	(£)	1.00	0.6971	0.4197	0.5882
United States	(US $)	1.4345	1	0.602	0.8438
Uruguay	(Peso)	5.2196	3.6386	2.1908	3.0703
Vanuatu	(Vatu)	172.1121	119.981	72.2401	101.242
Vatican	(Lira)	2302.25	1604.91	966.317	1354.26
Venezuela	(Bolivar)	120.8608	84.2529	50.7285	71.0945
Vietnam	(Dong)	15007.36	10461.7	6299	8827.86
Virgin Is-British	(US $)	1.4345	1	0.602	0.8438
Virgin Is-US	(US $)	1.4345	1	0.602	0.8438
Western Samoa	(Tala)	3.6623	2.553	1.5371	2.1542
Yemen (Rep of)	(Rial)	23.6280	16.4712	9.9173	13.8988
Yemen (Rep of)	(Dinar)	0.6659	0.4642	0.2794	0.3917
Yugoslavia	(New Dinar)	1074.00	748.693	450.787	631.763
Zaire Rep	(Zaire)	3064375.0	2136197	1286201	1802574
Zambia	(Kwacha)	651.56	454.207	273.477	383.271
Zimbabwe	($)	9.4655	6.5984	3.9729	5.5679

Special Drawing Rights March 12, 1993 United Kingdom £0.958078 United States $1.37216 Germany D Mark 2.28231 Japan Yen161.503
European Currency Unit Rates March 15, 1993 United Kingdom £0.812752 United States $1.16362 Germany D Mark 1.93952 Japan Yen137.691

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports, (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ; ♣ CIS applies to states in the Rouble Zone.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
March 15, 1993

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Pacific Dunlop sees brighter prospects

By Kevin Brown

PACIFIC Dunlop, the Australian industrial and food group, yesterday announced a 14 per cent increase in net profits to A$121m (US$86m) for the first half to the end of December, on sales up 11.6 per cent to A$3.2bn.

Mr John Gough, chairman, said the group was "over the worst of the recession", and forecast that full-year profits would increase "significantly". The group maintained the dividend at 10.5 cents, 55 per cent franked.

Pacific Dunlop said sales increased in all its Australian operations, which range from fashion clothing and processed food to packaging, automotive products and telecommunications cables.

The Petersville Sleigh food division, acquired in 1991 from the Adelaide Steamship group and renamed Pacific Brands Food, increased earnings before interest and tax by 45 per cent to A$29m.

The group said its international medical and battery businesses accounted for 38 per cent of profits and 33 per cent of turnover, compared with 29 per cent and 31 per cent in the comparable period of the previous year.

Mr Gough said the group was reaping the benefits of restructuring and rationalisation in the previous two years. He said a tentative upturn in demand for industrial products was being matched by a strengthening in retail demand, but profit margins remained under pressure.

Mr Gough said trading conditions remained difficult.

Packer pays A$49m for 5% stake in Fairfax

By Kevin Brown in Sydney

NINE Network, the Australian television group controlled by Mr Kerry Packer, yesterday revealed that it paid A$49.7m (US$35.5m) for a 4.98 per cent stake in John Fairfax Holdings, the newspaper group controlled by Mr Conrad Black.

The announcement prompted speculation that Mr Packer was planning a bid for Fairfax, which owns the Sydney Morning Herald, the Australian Financial Review and The (Melbourne) Age.

However, the re-election on Saturday of Australia's Labor government means there is little prospect of a change in the law regulating cross-media shareholdings, which would be required before Mr Packer could bid.

The conservative opposition coalition had indicated that it might change the law, which prevents broadcasting operators from acquiring shareholdings of more than 15 per cent in newspaper groups.

If he wished to bid for Fairfax, Mr Packer would have to dispose of his controlling 38 per cent shareholding in Nine Network, which would free him from the cross-media ownership restrictions.

Mr Packer sought to take a 15 per cent stake in Fairfax when it was acquired in 1991 by a consortium led by Mr Black, chairman of Hollinger, the Canadian media group and proprietor of the UK Telegraph group. He was forced to withdraw from the consortium after widespread criticism of his prominent role in the Australian media threatened the success of Mr Black's bid.


Kerry Packer: speculation that he will bid for Fairfax

Nine Network said it had bought the Fairfax shares as an "attractive investment". There were no "current plans" to increase the shareholding.

Nine Network also announced a 1.3 per cent increase in net profit to A$39m for the six months to the end of December. The board declared an interim dividend of 7 cents, fully franked, compared with nil last year.

The board said Mr Packer would resign as chairman, as previously announced. He will be replaced by Mr Bruce Gyngell, who was head of TV-AM, the former British television broadcaster.

Westpac to reduce costs by cutting 2,000 jobs

By Kevin Brown

WESTPAC, the troubled Australian bank, yesterday said it planned to make 2,000 staff redundant as part of a restructuring of retail operations intended to cut operating costs by A$150m (US$107m) a year.

Mr Robert Joss, managing director, said most of the staff in question would leave over the next three months as the retail business was split into separate consumer and commercial divisions.

"This new structure will enable us to better serve the different needs of our business and household customers, and presents an important step forward in making Westpac the best retail bank in Australia," he said.

The announcement, which was expected, comes in the wake of a wide-ranging review of Westpac operations following a record loss of A$1.5bn for the year to the end of September.

The bank announced last week that it planned to dispose of many of its Asian operations, and consolidate its US operations into one office, as part of a restructuring of international activities.

Mr David Morgan, head of retail banking, said the redundancies would raise the bank's retail productivity to world class levels, but would not affect customer service.

Westpac said last year that it would probably make up to 4,000 of its 20,000 staff redundant in an attempt to reduce its higher than average expenses to income ratio.

Warning over Indonesian banks

By William Keeling in Jakarta

INDONESIA'S listed banks have mostly announced an increase in pre-tax profits for 1992, although bankers warn the sector remains poorly regulated and burdened by non-performing debt.

Of the six largest listed banks, five improved on their 1991 performance. Pre-tax profits at Bank Internasional Indonesia (BII) rose 62.4 per cent to Rp122.1bn ($59m), while Lippobank's increased to Rp53.6bn from Rp24.6bn a year earlier.

Bank Danamon's pre-tax profits rose from 11 per cent to Rp51bn, Bank Bali's increased from 17.6 per cent to Rp84.1bn, and Bank Niaga's grew 12 per cent to Rp36.5bn. Bank Duta was alone in seeing a pre-tax profit fall from Rp35.9bn in 1991 to Rp26.2bn last year. In a year of general consolidation in the Indonesian banking sector, which remains dominated by five state-owned banks, the growth in the listed banks' outstanding loans either slowed or, in two instances, was reversed.

Bank Danamon's loan portfolio grew most rapidly to Rp3,609bn from Rp2,950bn in 1991, while Lippobank's loans rose 17.5 per cent to Rp2,150bn.

Bank Bali and Bank Duta posted a marginal fall in outstanding loans, down 7 per cent to Rp1,960bn and 4.5 per cent to Rp1,700bn respectively.

Brokers say the banks are more bullish for growth next year. BII forecast a 50 per cent loan growth this year, after an 8 per cent rise to Rp3,680bn in 1992.

Lippobank and Bank Bali are forecasting loan growth in excess of 20 per cent, while Bank Niaga is anticipating a more modest 15 per cent rise. The government has forecast a 17 per cent rise in banking sector credit this year.

Brokers, however, warn that higher net profits and an increase in credit may flatter the banks' actual performance. The results need to be accompanied by a now-perennial warning that banks may be under-provisioning for non-performing assets, they say.

Banks should be providing a minimum of 2.3 per cent of productive assets for non-performing assets, brokers say, but they believe that none of the listed banks reaches this figure.

In the worst case, brokers estimate that one of the six is providing less than 1 per cent of its productive assets. An increase in provisions to 2.3 per cent would wipe out twice-over the bank's 1992 net profits.

Banks anticipating high credit growth this year will also need to watch their capital adequacy ratios. Brokers estimate all the six listed banks to have capital adequacy ratios in excess of 7 per cent of risk weighted assets, a level set by the central bank for the end of this month.

But if the banks meet their targets for credit growth, most will need to raise new capital by the end of the year.

Brokers say this could lead to a call on shareholders for new finance or restricted dividend payments to allow banks to retain profits and boost their capital base.

Astra makes sweeping changes

By William Keeling

ASTRA International, the Indonesian motor company, has made sweeping boardroom changes prior to announcing its 1992 results which, brokers say, will show a 59 per cent fall in net profits to Rp87bn ($42m).

The changes follow the forced sale in January by the Soeryadjaya family, Astra's founders, of their majority stake in the company. Three of four family members have left the board, including Mr Edwin Soeryadjaya, formerly vice-president.

Mr Oskar Surjaatmadja, a former director-general of the ministry of finance and currently chairman of the Jakarta stock exchange, has been appointed president commissioner, equivalent to company chairman.

Mr Prajogo Pangestu, who led the consortium which bought into the Soeryadjaya stake, has become vice-president commissioner, while his close business colleague, Mr Henry Pribadi, has been made commissioner.

The senior management responsible for the company's day-to-day affairs remains largely unchanged, quelling investors' fears that the sale by the Soeryadjayas could prompt an exodus of top personnel.

The Soeryadjayas still own, directly or through nominee companies, more than 13 per cent of Astra but are expected further to reduce their stake to repay debts associated with their privately-owned Bank Summa, which collapsed in December owing Rp1,600bn.

Liquidators, led by the central bank, have currently agreed to repay large clients half their deposits. They hope to raise further finance by selling off the Soeryadjayas' extensive property interests.

Astra has yet officially to announce its 1992 figures, but brokers have been privately informed that net profits slumped to Rp87bn from Rp210bn in 1991. The company's vehicle sales fell 32 per cent to 97,239 units, although it increased market share year-on-year to 56.5 per cent from 54 per cent.

The net profits are higher than brokers' forecasts, reflecting a recovery in the last quarter.

Nevertheless, some new shareholders are reportedly keen to restructure Astra and possibly dispose of non-core businesses, which include timber, palm oil plantation and telecommunications subsidiaries.

Sharp pre-tax fall at Inchcape Timuran group

INCHCAPE Timuran, the Malaysian trading group, has posted a 47 per cent fall in group pre-tax profits to M$13.34 (US$5m) for 1992 from M$25.31m in 1991, Reuter reports from Kuala Lumpur.

Turnover rose slightly to M$376.32m from M$346.52m. Inchcape said earnings were hit by slower growth in sales of consumer products and high interest rates while exports were hurt by the strengthening of the Malaysian dollar.

The company was cautious about 1993, saying an easing of credit restrictions had yet to lift sales of consumer goods.

● Boustead, the Malaysian conglomerate, unveiled net profits of M$12.74m for the first half to December 31 up 2 per cent from a year earlier, Reuter reports.

CRA makes hostile bid for Cail

By Kevin Brown

COAL and Allied Industries (Cail) is likely to wait two weeks before responding to a hostile A$11.50-a-share takeover offer from CRA, the Australian mining group, Mr Tony Haraldson, managing director, said yesterday.

Mr Haraldson said directors would seek an independent valuation of the company before responding to the offer, which values Cail at A$716m (US$511m). CRA owns 40.4 per cent of Cail following a A$7.85 a share offer in March 1991, and the purchase of a further 2.9 per cent stake yesterday morning.

The offer is conditional on approval by Australia's Foreign Investment Review Board because CRA is 49 per cent owned by RTZ of the UK.

Adsteam provision leads to A$61m loss

By Kevin Brown

THE ADSTEAM group of companies, formerly controlled by Mr John Spalvins, announced substantial losses yesterday, indicating that interest costs and falling property prices continue to plague the group.

Adelaide Steamship, formerly the group's flagship, announced a net loss of A$61m (US$43.5m) for the six months to the end of December, compared with a loss of A$69m for the comparable period of the previous year.

The company said earnings before interest and tax rose 23 per cent to A$241m, while financing costs fell 13 per cent to A$290m. However, the deficiency in shareholders' funds grew by 13 per cent to A$620m.

Mr George Haines, managing director, said the result included an abnormal loss of A$107.8m, mostly related to provisions against the value of the group's UK property portfolio, held through Markheath, a 61 per cent subsidiary.

"Adsteam directors have deemed it prudent to make a one-off full provision against the group's Markheath involvement," Mr Haines said. Markheath's discussions with its banks were "proceeding constructively".

Other companies in the group also fared badly. David Jones, the up-market retailer, lost a net A$59m, compared with A$53m, and Tooth and Co, the industrial group, lost a net A$58m, compared with A$40.5m.

The bright spot was Industrial Equity (IEL), owned by Adelaide Steamship, David Jones and Tooth, which reported an improvement in net profit to A$79m from A$27m.

IEL said the improvement would have been larger but for the A$19m cost of deferring the flotation of its Woolworths supermarket subsidiary, and A$6.4m in other abnormal charges.

INTERNATIONAL CAPITAL MARKETS

German rate cut hopes propel European prices higher

By Tracy Corrigan in London, Patrick Blum in Prague and Patrick Harverson in New York

EUROPEAN bond prices ended mostly higher yesterday, boosted by growing expectations of a German rate cut.

■ GERMAN bond prices closed ⅛ point firmer yesterday as expectations that the Bundesbank will cut rates at its council meeting on Thursday gained ground.

GOVERNMENT BONDS

A weekend agreement by the German government on a package of austerity measures known as the solidarity pact has prompted strong speculation that the Bundesbank will not be able to hold out any longer against pressure for a cut in the official interest rates. However, the market fell from overnight highs in Tokyo.

The agreement "makes it easier for the Bundesbank to cut rates because its creates a more organised fiscal structure," said Mr Klaus Baader, an economist at UBS Phillips & Drew. He added that the fundamental effect is very small, but "it caps the potential for chaos in public sector financing".

The Euro D-Mark future on Liffe also benefitted from mounting expectations of a cut. The March contract ended at 92.19, up from a previous close of 92-10.

■ UK GILT prices ended slightly higher in very thin trading. The market is expected to remain in suspense until today's government Budget statement.

■ THE DUTCH government sold Dfl 1.4bn of the new 10-year state bond yesterday. Dutch bond prices rose in line with the German bond market.

■ THE CZECH Republic has launched a Kcs2.5bn ($85m) domestic Treasury bond issue – the first such issue for more than 50 years – which has been fully pre-placed with domestic investors. The four-year issue, arranged by Credit Suisse First Boston, carries a fixed coupon of 14.6 per cent.

"There are enough domestic investors willing to lend the government money. The response has been better than expected for an entirely new instrument. It also shows investors confidence following the break-up of [the former] Czechoslovakia [in January]," said an analyst with CSFB.

The proceeds will be used to help finance a 1991 budget deficit of Kcs9.9bn.

■ AFTER a firm opening, US Treasury prices tumbled at the long end of the maturity range yesterday morning in response to a surge in commodity prices.

By midday, the benchmark 30-year government bond was down $\frac{5}{16}$ at 102$\frac{23}{32}$, yielding 6.901 per cent. At the short end of the market, the two-year note was only slightly lower, down $\frac{1}{32}$ at 99$\frac{31}{32}$, to yield 4.084 per cent.

Prices opened higher, buoyed by comments from Mr Alan Greenspan, the Federal Reserve chairman, who at the weekend said that the recovery remained "tentative".

The market then suffered a setback mid-morning, however, after the Commodities Research Bureau index jumped more than 2¼ points to 210.41. The CRB's rise, which some dealers said was a reaction to Saturday's huge snowstorm that hit the eastern US states and may have an impact on some crops, showed higher prices among a broad range of commodities.

The uptick in the CRB unsettled Treasury investors, who fear that inflationary pressures may be building up in the economy as the recovery gathers pace. Last week, the February producer prices index increased more than expected, and with yesterday's CRB rise, dealers and investors are nervously awaiting the February consumer prices report, which is due out tomorrow.

FT FIXED INTEREST INDICES

	Mar 15	Mar 12	Mar 11	Mar 10	Mar 9	Year ago	High *	Low *
Govt Secs (UK)	97.74	97.88	97.59	97.85	97.98	86.13	98.04	86.11
Fixed Interest	113.61	113.46	113.73	113.76	113.71	99.62	113.83	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992/93. Government Securities high since compilation. 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation. 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8
Gilt Edged Bargains	122.0	130.7	126.7	131.1	140.7
5-Day average	130.3	132.8	131.3	134.1	135.5

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	115.1158	-0.672	7.74	7.71	8.49
BELGIUM		9.000	03/03	112.1550	+0.380	7.25	7.24	7.75
CANADA *		7.250	06/03	97.3000	-1.000	7.88	7.31	7.63
DENMARK		8.000	05/03	98.8500	+0.380	8.16	8.06	8.76
FRANCE	BTAN	8.000	05/98	103.8422	+0.322	7.07	7.15	7.91
	OAT	8.500	04/03	108.2000	+0.310	7.32	7.26	7.81
GERMANY		7.125	12/02	104.1250	+0.205	6.63	6.50	6.98
ITALY		12.000	05/02	97.0500	+0.370	12.941	12.80	13.02
JAPAN	No 119	4.800	06/99	104.3609	-1.087	3.93	3.71	4.03
	No 145	5.500	03/02	110.0127	[illegible]	3.99	3.91	4.22
NETHERLANDS		7.000	02/03	103.8500	+0.150	6.45	6.46	6.95
SPAIN		10.300	06/02	94.2750	+0.200	11.31	11.29	11.45
UK GILTS		7.250	03/98	103-08	-	6.49	6.48	6.71
		8.000	06/03	53-05	+3/32	7.56	7.53	7.88
		9.000	10/08	107-29	+5/32	8.10	8.05	8.40
UK TREASURY *		6.250	02/03	100-08	-10/32	6.21	5.80	6.40
		7.125	02/23	103-04	-24/32	6.88	6.69	6.77
ECU (French Govt)		8.000	04/03	103.6500	+0.210	7.47	7.44	8.15

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

German commercial banks in EC protest

By Quentin Peel in Bonn

THE German Banking Federation, representing the commercial banking sector, yesterday agreed to make a formal complaint to Brussels about new rules allowing Germany's powerful state banks to register a big increase in their asset base.

The big private sector banks, including Deutsche Bank, Dresdner Bank and Commerzbank, are furious at the new ruling which allows the state banks to include the assets of their housing finance subsidiaries in their working capital base, and thus greatly extend their lending activities.

Mr Eberhard Martini, president of the banking federation, said a letter would be sent to the European Commission immediately after yesterday's annual meeting, asking whether the new rules conformed to EC guidelines on capital adequacy.

The main target of the banks is the Westdeutsche Landesbank (WestLB) which has succeeded in extending its working capital by DM4bn as a result of consolidating the assets of WFA, the housing finance institution for North Rhine-Westphalia.

Mr Martini said that the new ruling, made by the Bundesaufsichtsamt für das Kreditwesen, the supervisory body for the banking sector, gave the public sector banks a significant competitive advantage over private sector banks.

S&P reviews Volvo's short-term debt rating

By Christopher Brown-Humes in Stockholm

STANDARD & Poor's, the US credit rating agency, yesterday said it was reviewing the short-term debt rating of Volvo, the Swedish motor vehicle group, with a view to a possible downgrade, following a sharp increase in group debt and higher operating losses in 1992.

S&P said it had placed Volvo's single-A1 rating on Creditwatch with negative implications, but noted that the rating was unlikely to fall below single A2 because of the group's "reasonable financial flexibility".

Last week, Volvo announced a SKr4.75bn loss after financial items, compared with a SKr1.5bn profit in 1991, with operating losses rising to SKr2.25bn from SKr1.17bn. Net debt amounted to SKr13bn, up sharply from SKr7bn in 1991, with around SKr2bn attributed to currency fluctuations.

S&P said: "In the face of continuing difficult trading conditions in its key markets, Volvo is constrained in its ability to contain debt useage. Debt is expected to remain higher for the foreseeable future."

Last December, Moody's Investors Service downgraded Volvo's commercial paper ratings to Prime-2 from Prime-1.

KfW raises DM1.5bn as German currency dominates

By Antonia Sharpe

THE D-Mark sector of the international bond market was active yesterday as domestic and foreign borrowers decided that the time was right to lock into German interest rates.

The Bundesbank is widely expected to cut its leading interest rates at its council meeting on Thursday, following agreement at the weekend on the public financing for the "solidarity pact" for the east German economy.

Syndicate managers said the rate cut had been discounted by the market. "Many issuers feel that German interest rates are close to the bottom of their cycle for now," one syndicate manager at a German bank said.

KfW International Finance USA, the financing arm of the triple-A rated German government agency for redevelopment, raised DM1.5bn through an issue of 10-year Eurobonds.

The bonds will be priced today, and are expected to yield 14 basis points over the 7⅛ per cent bund due December 2003, the lower end of the indicated range. The bund yielded 6.54 per cent yesterday afternoon.

An official at the lead manager, Dresdner Bank, said that the bonds were widely distributed at home and elsewhere in Europe.

For some syndicate managers, the indicated yield spread on KfW's bonds appeared to be on the safe side, in order to allow some room for performance. They expected the spread to narrow to 12 basis points when the bonds were freed to trade. However, Dresdner said the bonds were fairly priced, in view of the 26 basis-point spread between yields on 10-year bunds and domestic bonds.

INTERNATIONAL BONDS

By contrast, there was general agreement in the market that the pricing on the Kingdom of Denmark's DM700m five-year Eurobond issue was tight. The bonds yielded 10 basis points over the series 105 of medium-term German government bonds. Some syndicate managers believed that it would be difficult for the bonds to keep to the launch spread once they were freed to trade, which is likely to happen early today.

WestLB, the lead manager, reported good demand for the bonds from central banks, attracted by their five-year maturity and the fact that the borrower is an European Community member.

Mr Niels Sorensen, head of the debt department, foreign area, at Denmark's National Bank, said that the proceeds from the issue were for the foreign exchange reserves of the central bank. The issue will almost complete the central bank's first-quarter borrowing programme of DKr12bn.

Mr Sorensen said the issue also lengthened the bank's debt maturity profile, which prior to yesterday's deal was about 1½ years.

"We wanted to take out some longer-term debt now that German rates have come down," he said.

CCF took advantage of investors' hopes of lower interest rates in France to raise FFr500m worth of five-year reverse floating rate notes, its second such issue since November.

The joint lead manager, Morgan Stanley, said the bonds were sold throughout Europe and were trading at their issue price late yesterday.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Province of Quebec(a)‡	100	(a)	100	Apr.2003	0.5/0.2	Deutsche Bank London
EBRD(b)‡	100	(b)	99.875	Apr.2000	0.45	Merrill Lynch Intl.
Nippon Yusen KK(c)◆	100	(c)	100	Apr.1997	2.25/1.5	Nikko Europe
YEN						
Fuji Bank Intl.Finance(d)‡#	35bn	(d)	100	(d)	0.3/0.1	Fuji Intl.Finance
Fuji Bank Intl.Finance(e)◆	15bn	(e)	100	(e)	1/-	Yamaichi Intl.(Europe)
D-MARKS						
KfW Intl.Finance USA(f)	1.5bn	(f)	(f)	Apr.2003	2.5/2.175	Dresdner Bank
Kingdom of Denmark	700	6.125	101.375	Apr.1998	2/1.75	Westdeutsche Landesbank
Depfa(g)‡	200	(g)	100	Apr.2003	0.3/0.15	Trinkaus & Burkhardt
Helaba Luxembourg	100	6	99.8	Apr.1998	-	Helaba
FRENCH FRANCS						
CCF(h)‡	500	(h)	101.525	Apr.1998	1.875/1.725	CCF
STERLING						
Euro.Coal & Steel Commun.(i)	20	8.875	109.484	May.2017	-	Barclays de Zoete Wedd
LIRA						
LKB Baden-Wurt'berg Finance	200bn	10.75	101.15	Apr.2003	2/1.375	BAI Milan

Final terms and non-callable unless stated. +Private placement. ◆With equity warrants. ‡Floating rate note. ◆Variable rate note. #Semi-annual coupon. a) Coupon pays 6-month Libor - 0.25%; minimum 5.25%, maximum 8%. b) Coupon pays (0.5 × the 10-year CMT) + 1.5%; minimum 5%, maximum 28%. c) Final terms fixed on 23/3/93. d) Perpetual subordinated issue. Coupon pays the long-term prime rate - 0.1% for first 5 years, + 0.1% for years 6-10 and + 0.6% thereafter. Callable on any interest payment date from Mar.98 at par. e) Perpetual subordinated issue. First coupon is 3-month Libor + 0.75%; thereafter coupon pays 3-month Libor + agreed margin. If not agreed the following margins apply: + 0.95% for first 5 years, + 1.25% for years 6-10 and + 1.95% thereafter. Callable after 5 years. Puttable on any interest payment date, when coupon has been agreed, at par. f) Priced today to yield 14-16bp over the 7.125% bund due Dec.2002. g) Coupon pays 9.5% fixed annual in first year and 12.25% - 6-month Libor thereafter. h) Coupon pays 8.75% fixed annual for first year and 14% - 6-month Pibor thereafter. i) Fungible on 26/5/93 with the outstanding £80m.

Swiss drop bond issuance tax

THE SWISS federal cabinet yesterday abolished stamp tax on Swiss franc bond issuance by foreign borrowers with effect from April 1, AP-DJ reports from Zurich.

It was feared the 0.15 per cent tax on secondary market purchases, and 0.30 per cent tax on primary market purchases, would see Swiss franc bond issuance by foreign borrowers move from Switzerland to foreign marketplaces.

The federal council was given the power to remove the stamp tax in a national referendum on September 27.

Also, according to the Swiss finance ministry, a rule requiring that Swiss franc foreign bonds be syndicated by banks located in Switzerland, would be replaced by a regulation requiring only that the lead manager of the issue be located in Switzerland and not the entire syndicate.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on March 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106	106¼	-⅛	4.50	ARBED 7 1/2 95 LFr	600	97¼	98¼	-⅛	8.82

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	44	9	24
Other Fixed Interest	8	0	7
Commercial, Industrial	323	240	851
Financial & Property	142	131	523
Oil & Gas	17	16	50
Plantations	3	0	5
Mines	36	26	75
Others	30	53	41
Totals	603	475	1,576

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	½	½	Anglo Utd Warrants	½		–	–	–	–
100	F.P.	–	103	98	For & Col US Smllr Co's	102½	+½	–	–	–	–
–	F.P.	–	44	30	Do. Warrants	41		–	–	–	–
51	F.P.	–	75	52	Intl. Food Machinery	75	+2	–	–	–	–
–	F.P.	–	95	91	¶Merlin Intl Units	95		H3.4	–	4.8	–
§210	F.P.	–	280	262	Motor World	278		R6.3	2.5	3.0	17.3
100	F.P.	–	100	97½	Pilot Inv. trust	97½		–	–	–	–
–	F.P.	–	28	21	Do Warrants	27		–	–	–	–
100	F.P.	–	105	102	Schroder Split Fd Inc	104		M6.75	–	8.7	–
20	F.P.	–	21	19	Do. Cap	21		–	–	–	–
100	F.P.	–	101	99	Do. Zero Div. Pf.	100½		–	–	–	–
25	F.P.	–	26¼	25½	Warrants & Value Tst	25½		–	–	–	–
110	F.P.	–	141	130	Yorkshire Food	134	+4	W2.88	2.6	2.9	15.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	117½p	102¾p	[illegible] Cr. Pf.	117½p	+½
100p	F.P.	-	122¼p	115½p	Bristol Water 8¼pc Pf.	122¼p	+½
100p	F.P.	-	112¼p	105¼p	Commercial Union 8¾pc Cnv. Pf.	112¼p	+¼
100	F.P.	-	114¼	106½	NFC 7¼pc Cv. Bd. 2007	107½	+½
60p	F.P.	-	60p	54p	Merlin Intl. Green Zero Prf.	59¼p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
295	Nil	22/4	62pm	44pm	Berkeley	50pm	+6
405	Nil	23/4	66pm	62pm	British Polythene	66pm	
170	Nil	16/4	20pm	17pm	Cookson	17pm	-1
239	Nil	21/4	41pm	40pm	Gold Greenlees Trott	40pm	
52	Nil	13/4	14pm	7pm	Howden Group	13pm	-1
520	Nil	18/3	67pm	42pm	‡Meggitt-Swain	42pm	
10	Nil	8/4	7½pm	2pm	Stonehill Hldgs A	2pm	
60	Nil	13/4	20pm	13pm	Trafalgar House	13pm	-½
95	Nil	23/4	34pm	22pm	Vickers	34pm	+2
45	Nil	23/4	12pm	8½pm	WPP	8½pm	
16	Nil	2/4	6pm	4½pm	Willis Group	4½pm	
330	Nil	18/5	56pm	34pm	Yorkshire Chemicals	56pm	+1

b Figures based on prospectus estimates. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. ¶ Introduction. § Placing price. †† Reintroduction. ◆ Unlisted securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings March 8
- Last Dealings March 19
- Last Declarations June 17
- For settlement June 28

3-month call rate indications are shown in Saturday editions.

Calls in: Alvis, Amstrad, Aran Energy, ASDA, Avesco, Cupid, Costain, Ferranti, Gestetner, Hanson Wts., Lucas, Medeva, MTM, Proteus, Premier Cons., Racal, Standard & Chart., Steel Burrill and TR Props. Puts in: FNFC, Pilkington, Standard & Chart. and Steel Burrill. Puts & Calls: Amstrad, Medeva and Queens Moat.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*568)	550	30	45	53	8	29	35
	600	7	21	30	38	60	65
ASDA (*72)	67	7	12½	14½	3	5½	8
	76	3½	8	10	7½	11	12½
Brit. Airways (*298)	280	22	30	38	5	18	23
	300	11	20	28	14	28	32
SmKl Bchm A (*466)	460	21	38	48	12	26	33
	500	5	22	30	37	48	55
Boots (*515)	500	[illegible]	38	47	7	22	29
	550	4½	15	24	37	52	56
B.P. (*286)	280	14	23	29	7	15	20
	300	5	14	20	19	27	31
British Steel (*91)	90	5½	11	14	5	9½	12
	100	2	7	10	12	16	19
Bass (*585)	550	43	55	67	5	19	26
	600	11	28	41	27	44	50
C & W (*712)	700	28	48	65	15	37	44
	750	9	27	42	47	66	72
Courtaulds (*589)	550	45	60	70	5	19	27
	600	14	31	45	24	45	51
Com. Union (*606)	580	36	57	62	6	17	28
	628	9	31	37	31	40	52
Fisons (*210)	200	19	26	34	8	22	26
	220	9	19	32	21	34	39
GKN (*462)	460	17	36	43	11	22	32
	500	4	18	25	39	46	55
Grand Met. (*477)	460	26	44	51	8½	22	27
	500	7	24	32	31	44	49
I.C.I. (*1225)	1200	53	100	112	22	52	77
	1250	27	74	88	48	77	105
Kingfisher (*548)	535	27	40	51	10	27	33
	584	6	20	30	38	56	64
Ladbroke (*199)	180	21	26	33	5	12	18
	200	7	16	23	15	22	29
Land Secur (*500)	500	14	23	30	11	32	34
	550	1½	6½	13	52	69	70
M & S (*356)	330	30	35	45	2½	9	13
	360	10	19	27	12	22	27
Sainsbury (*525)	500	37	48	57	5	18	24
	550	10	20	32	29	33	39
Shell Trans. (*578)	550	35	52	59	3½	11½	19
	600	6½	23	30	27	34	44
Storehouse (*194)	180	18	27	33	4½	12	15
	200	7	16	21	14	24	27
Trafalgar (*73)	64	11	14	16	1½	5	6½
	74	4½	8	11½	4½	9	10½
Utd Biscuits (*383)	360	29	34	42	7	16	21
	390	7	19	28	23	31	35
Unilever (*1241)	1200	54	80	105	14	36	39
	1250	20	53	77	39	57	73

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*278)	260	34	49	61	16	27	34
	280	26	37	52	26	36	44

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*372)	360	15	30	38	3½	14	21
	390	2	16	23	21	28	37
Amstrad (*38)	35	5	7½	9	1	3½	4½
	40	1½	4½	6½	3½	6	7½
Barclays (*406)	390	[illegible]	37	46	3½	17	23
	420	3	22	31	19	31	42
Blue Circle (*219)	200	22	28	32	1½	12	15
	[illegible]	6	16	24	7	23	25
British Gas (*300)	300	5	12	18	5	16½	19
	330	1	3¼	8	30	40	41
Dixons (*237)	220	20	31	34	3	10	18
	240	6	18	26	9	19	29
Eurotunnel (*480)	460	25	51	68	10	32	42
	500	6	32	49	35	54	62

FT-SE INDEX (*2923)

	2750	2800	2850	2900	2950	3000	3050	3100
CALLS								
Mar	175	126	80	36	12	3½	2	1
Apr	188	145	105	72	45	25	14	8
May	205	166	129	97	71	50	34	22
Jun	220	182	147	115	89	67	50	37
Dec †	–	265	–	205	–	155	–	115
PUTS								
Mar	1½	2½	5	15	43	87	137	187
Apr	11	17	28	45	68	102	140	186
May	24	34	48	66	90	119	156	193
Jun	34	44	60	80	104	133	165	205
Dec †	–	100	–	137	–	185	–	248

March 15 Total Contracts 26,281. Calls 11,769 Puts 14,512. FT-SE Index Calls 1,691 Puts 2,216. Euro FT-SE Calls 1,021 Puts 16. *Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Mon Mar 15	Day's change %	Fri Mar 12	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	130.15	+0.03	130.12	2.21	1.98
2	5-15 years (22)	150.36	+0.06	150.27	1.49	3.52
3	Over 15 years (8)	159.24	+0.17	158.98	0.80	3.10
4	Irredeemables (6)	181.94	+0.20	181.57	2.74	1.48
5	All stocks (60)	146.30	+0.07	146.20	1.68	2.90
	Index-Linked					
6	Up to 5 years (2)	183.96	....	183.95	0.27	1.51
7	Over 5 years (12)	172.98	+0.10	172.90	0.59	1.23
8	All stocks (14)	173.30	+0.09	173.23	0.55	1.27
9	Debs & Loans (67)	129.54	+0.28	129.39	2.06	2.45

	AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 15	Fri Mar 12	Year ago (approx.)
	British Government				
1	Low	5 years	6.45	6.45	9.31
2	Coupons	15 years	7.60	7.61	9.52
3	(0%-7¾%)	20 years	7.89	7.91	9.52
4	Medium	5 years	6.73	6.74	9.91
5	Coupons	15 years	8.10	8.12	9.62
6	(8%-10¾%)	20 years	8.28	8.30	9.57
7	High	5 years	6.91	6.90	10.13
8	Coupons	15 years	8.32	8.33	9.75
9	(11%-)	20 years	8.40	8.43	9.67
10	Irredeemables (Flat Yield)		8.38	8.39	9.71
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.03	2.03	3.70
12	Inflation rate 5%	Over 5 yrs.	3.44	3.45	4.48
13	Inflation rate 10%	Up to 5 yrs.	1.23	1.22	3.07
14	Inflation rate 10%	Over 5 yrs.	3.27	3.28	4.31
15	Debs & Loans	5 years	8.42	8.42	11.13
16		15 years	9.20	9.22	10.84
17		25 years	9.45	9.47	10.66

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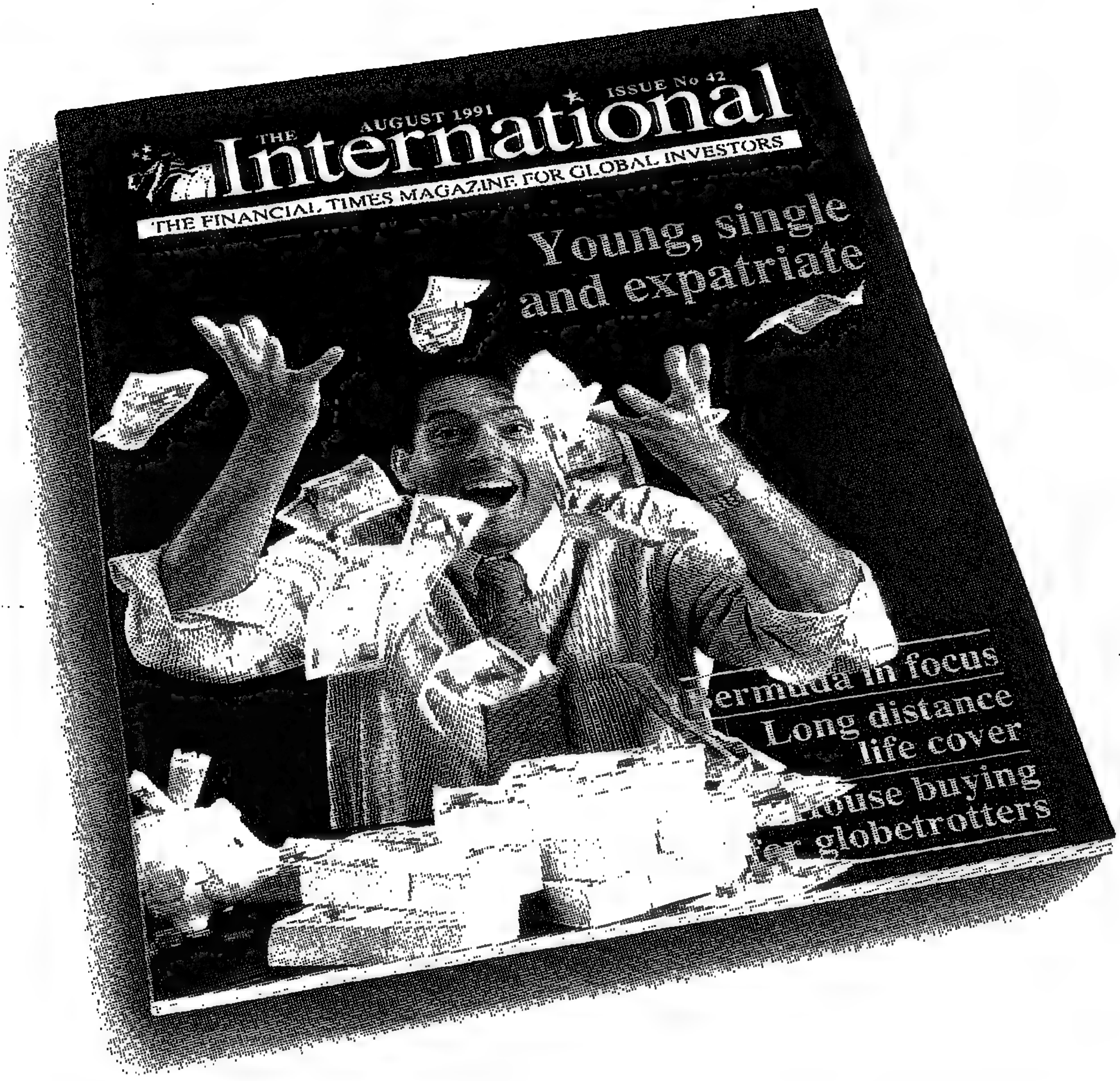

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□ 5 Student/Unemployed

Nature of Business
□ 1 Financial Services
□ 2 Construction
□ 3 Other Services
□ 4 Transport/Travel/Communications
□ 5 Distribution/Hotels/Catering
□ 6 Extraction (Oil, minerals, etc)
□ 7 Manufacturing/Engineering
□ 99 Other (Please State________)

Age
□ 1 Under 25
□ 2 25-34
□ 3 35-44
□ 4 45-54
□ 5 55-64
□ 6 65+

Types of investment currently held
□ 1 Domestic Equities
□ 2 International Equities
□ 3 Offshore Deposits
□ 4 Property
□ 5 Bonds
□ 6 Precious Metals/Gems
□ 7 Unit Trusts/Mutual Funds
□ 8 Other International Investments
□ 99 None

Which of the following do you have?
□ 1 Credit Card (e.g. Visa)
□ 2 Gold Card
□ 3 Charge Card (e.g. Amex)
□ 99 None

Strong growth in Hong Kong and Asia Pacific operations

HSBC doubles to £1.7bn

By John Gapper and Simon Holberton

STRONG PROFITS in Hong Kong and the Asia Pacific region helped HSBC Holdings to raise pre-tax profits by 94 per cent in sterling terms to £1.7bn for 1992 compared with £880m.

The increase expressed in Hong Kong dollars was 56 per cent to HK$20.1bn (HK$12.8bn).

Asia Pacific operations made a £1.3bn pre-tax profit (£878m). They contributed £430m of the rise in pre-tax profit, helped by an exceptional profit of £270m on the sale of a 10 per cent stake in Cathay Pacific Airways.

The charge for possible bad debts more than doubled to £1.19bn (£502m) after taking in £321m attributable to Midland, £297m from Olympia and York, and £90m from Concord Leasing, £49.5m of which relates to shipping loans.

Provisions against Olympia and York now amount to 60 per cent of the £500.1m exposure. Mr John Bond, chief executive, said it was "extremely unlikely that we would take another stand alone position like that in the future".

Sir William Purves, chairman, said that although economic growth in Asia had been robust, recession in several of its markets made 1992 quite a difficult year and resulted in "a significant increase in the level of provisioning".

Sir William said this would be "a year of consolidation" for Midland. "The highest priority is for Midland to get its domestic retail business firing on all cylinders, and to improve service to customers," he said.

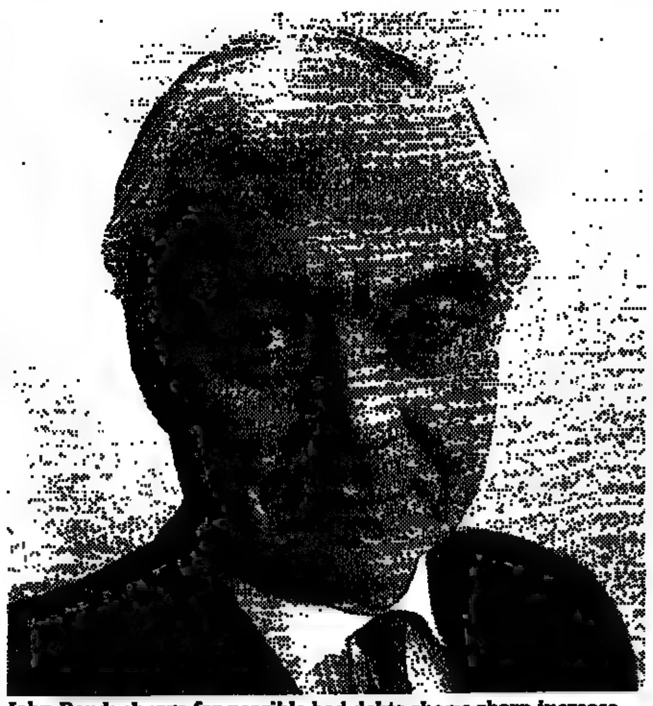
HongkongBank's profit attributable to shareholders after tax and exceptional items rose to £1.01bn (£599m). Hang Seng Bank, in which HongkongBank has a 61.4 per cent shareholding, contributed £486m (£311m).

Both Marine Midland, the US subsidiary, and HongkongBank of Australia returned to profit. Marine Midland showed a profit of £79.3m (£94.9m loss), while HongkongBank of Australia made a profit of £3.5m (£18.4m loss).

Profits of James Capel, the group's stockbroking subsidiary, fell to £7.6m (£17.7m), after restructuring and other charges. European results were "disappointing," while Asia and the US were "highly profitable".

Net interest income grew to £3.34bn (£1.84bn) and other operating income grew to £2.63bn (£1.2bn).

Despite a rise in operating expenses to £3.37bn (£1.78bn) the cost to income ratio fell to 56.6 per cent (58.4 per cent).



John Bond: charge for possible bad debts shows sharp increase

The group's ratio of capital to risk-weighted assets stayed constant at 12.3 per cent, although its tier 1 capital ratio fell to 7.4 per cent (9.6 per cent).

Its property revaluation reserve under tier 2 capital rose to £1.05bn (£381m).

Earnings per share were 72 per cent up at 62p (36p).

The final dividend is 14.2p, increasing the total to 19p (12.71p).

Shareholders' funds rose to £8.01bn (£4.82bn) and assets grew to £170.5bn (£85.79bn). The return on average assets rose to 1 per cent (0.7 per cent).

HSBC's 75p ordinary shares closed 20p higher at 624p.

See Lex

BM poised for losses after heavy write-downs

By Jane Fuller

BM Group, the construction equipment and engineering concern, is likely to fall into the red this year after substantial losses on business disposals and other write-downs.

The group announced yesterday that it would take an exceptional loss of about £13m on the recent sale of Blackwood Hodge UK and Spain to International Machinery Company.

The share price, which collapsed last summer after the departure of the chairman Mr Roger Shute, fell 6p to 54p yesterday.

A root-and-branch review has been carried out under the new chairman Mr Moger Woolley, with the help of a new merchant bank – Robert Fleming has replaced Hambros – and new auditors – Price Waterhouse for Kingston Smith.

Analysts estimate that exceptional losses could run to £20m-£30m. This would push the group into the red even before interest costs on trading profits thought to be running at £15m-£20m for the year to June 30. Last June net debt stood at £61.1m.

The interim results have been delayed until April.

Thirst for Vimto prompts 8% gain at JN Nichols

STRONG SALES of Vimto, the fruit and herb drink, helped JN Nichols report an 8 per cent increase to £8.36m in pre-tax profits for 1992, on sales virtually unchanged at £47m.

The campaign to widen the appeal of Vimto, traditionally the favourite soft drink of Northern non-drinkers, and an increased contribution from Nichols Foods helped to offset a decline in contract canning and export sales.

The company said the £1m decline in exports, a significant proportion of which are targeted at the Middle Eastern market where Vimto is often used to break the Ramadan fast, had been due to the timing of deliveries. Ramadan had fallen later than the previous year.

The group's main export markets continued to grow, however.

In the UK, bad weather last summer had had an adverse affect on sales in the latter half of the year. Nevertheless, Vimto showed a strong improvement and the can vending business helped to increase sales.

The final dividend is increased by 10 per cent to 8.5p, for a total 1.3p higher at 13.6p. Earnings were ahead from 32.6p to 35.4p.

Gearing surprise as as Laporte drops 10%

By Paul Abrahams

LAPORTE, the speciality chemicals group, yesterday reported pre-tax profits down 10 per cent, from £96.4m to £86.6m, for the year to January 3.

The shares fell 9p to 676p, as analysts were surprised by the group's gearing. Although debt at the year end had been £125.6m, Mr Ken Minton, chief executive, said during a presentation to analysts that it had deteriorated since January to about £190m.

Most of the deterioration – about £25m – had been caused by adverse currencies and in particular the rise of the dollar. Debt at Evode, a recent acquisition, had been higher than expected (£10m) and the group had bought about £8m of Evode's shares during the takeover. A further acquisition (£5m) and seasonal changes (£6m) had added to debt. Mr Minton said the group would be cash-positive during 1993.

Mr Minton said the results had been in line with predictions and that he felt pretty good about the prospects for Evode and the group generally.

The results were achieved on turnover down from £616m to £608m. The pre-tax profits included £9.6m from the Interox business which was sold on May 21. Sales of Interox until that date were £74m.

The organic speciality division's operating profits were £15.8m (£4.9m) on turnover up from £33.6m to £81.7m thanks to the acquisition of the peroxy speciality business at Interox. The existing business increased from £33.6m to £41m. The peroxy business added £9.4m to the profits.

Sales at the absorbents division increased 12 per cent from £81m to £90.8m, while trading profits rose from £11.7m to £12.1m. Mr Minton said the figures masked a distinct improvement in margins during the second half of the year from 10.7 per cent to 15.9 per cent. The improvement was due to significant investment and rationalisation.

The construction chemicals division reported operating profits up 69 per cent from £10.6m to £17.9m on sales of £141.1m (£105.9m). Rockwood, a recent acquisition, generated £25.7m of the £35.2m increase in turnover.

The hygiene and process chemicals division posted trading profits up 14 per cent from £14.1m to £16.1m on sales of £96.3m (£89.3m). The metals and electronic chemicals division's turnover was up 3 per cent from £94.4m to £97.5m. Operating profits fell 7 per cent from £15.2m to £14.2m.

Capital expenditure, which the company described as heavy, was £74m.

Earnings per share fell 2 per cent from 40p to 39.2p. The board proposed a final dividend of 12.5p, making a total for the year of 19.5p (18.9p), a rise of 3 per cent.

Turnround in exceptionals behind 25% decline at ECC

By Maggie Urry

PRE-TAX PROFITS at English China Clays, the industrial minerals and construction materials group, fell 25 per cent in 1992 to £86.2m, compared with £115.4m for the previous year.

There was an exceptional charge of £14.3m, against a credit of £2.2m, mainly relating to the write down of housing land announced in September. Group sales fell 4.5 per cent to £966.3m.

Lord Chilver, chairman, said the European markets were "unlikely to show much progress" in 1993, but there were signs of recovery in the US.

He said the group expected to at least maintain the dividend in 1993 at the 1992 level of 20p, itself unchanged from 1991. The shares rose 5p to 458p.

Mr Andrew Teare, chief executive, said there had been "intense pressure from customers for substantial price reductions" as the paper industry, the main user of china clay, struggled with overcapacity. He said ECC had resisted and volumes had been maintained.

He said the group was in the middle of a five year programme to change the company around. "We have done all the obvious things" he said, such as cutting costs, selling businesses and sorting out the balance sheet.

The group was now the world's leading supplier of kaolin following the purchase of Georgia Kaolin in the US, at the end of 1990.

The next step was to seek out business opportunities, such as expanding sales into the Pacific area, supplied from the US, and developing new uses for its industrial minerals.

Operating profits from ECC International fell to £90.5m (£97.7m), although sales were marginally higher at £589.8m.

Profits from construction materials, largely hard rock used in road building, fell to £15.3m (£24.1m). Sales rose 2.4 per cent to £352.4m, as strong volumes were offset by price weakness.

The housebuilding division, now being wound down, contributed £8.3m (£14.3m) in profits, and generated cash of £18.6m (£23.8m) as land was sold. Since 1990 £52m had been raised from this division, and the total could reach £200m.

The interest charge was £5.4m (£16.5m) following the £209.2m rights issue last year. Net debt rose by £40.3m to £172.8m, 21 per cent of shareholders funds. The translation of overseas debt at lower sterling rates added £45.2m to debt.

Earnings per share fell 30 per cent to 21.87p. An unchanged final dividend of 13.4p is proposed.

Under FRS 3, which the group will apply to its published accounts, pre-tax profits rose from £79m to £100.2m, mainly because of the reclassification of an extraordinary profit of £16m. Earnings per share were 27.26p, up from 15.09p.

See Lex

Sterling's collapse helps MAI advance by 12% to £33.9m

By Hugh Carnegy

MAI, the financial services and media group headed by Lord Hollick, the Labour peer, increased pre-tax profits by 12 per cent to £33.9m in the six months to December 31, against £30.2m.

The core money and security broking business was again the main engine, accounting for all but £25m of turnover, which was up 9 per cent at £204.5m (£187.2m). Broking operating profit was up 16 per cent at £21.9m (£18.8m) in what analysts described as peak conditions with governments worldwide seeking financing for deficits.

With 60 per cent of profits accruing overseas, mostly in dollars, the company benefited from the sterling crash following "Black Wednesday" last September.

Lord Hollick said translation was at an average of $1.69, compared with $1.75 for the 1991-92 year. With the rate now running at about $1.43, the benefit would be greater in the second half, he said.

MAI added, however, that profits had been held back by a sharp decline in foreign exchange activity in the Far East, particularly Japan, where there was no sign of a sustained improvement.

Meanwhile, Lord Hollick declined to comment on his relations with fellow directors at Mirror Group Newspapers. He has distanced himself from a recent statement from the board expressing support for the current management but refused to be drawn on reports that he might resign. "I am still a director," he said.

He was more forthcoming about Meridian Television, which won the south of England ITV franchise with a £36m bid and began broadcasting on January 1.

He said advertising and audience figures were slightly ahead of target. It was premature to speak of a sustained upturn in TV advertising, but prospects seemed good.

MAI is investing £30m most of which has already been spent, with a targeted profit for the company in 1994.

Profits increased at the Wagon used car finance company, the mainstay of retail financial services, despite sluggish motor sales. Analysts said Wagon had increased its market share and appeared to have overcome the worst of its bad debt problems. Wagon said it had refinanced more than £200m of bank loans on a medium term basis.

Profits in the information side, which includes the NOP market research organisation, were also well ahead at £2.1m, compared with £1.2m, on turnover of £25.4m (£22.9m).

The interim dividend is raised to 2p (1.4p) to reduce disparity. Earnings per share were 6.5p (5.8p).

Traffic side bolsters Peek

By Hugh Carnegy

PEEK reported pre-tax profits up 18 per cent, from £6.06m to £7.13m for 1992, on turnover ahead 6 per cent from £84m to £88.8m, despite a setback in its field data business.

The traffic division, which includes systems for junction signals and road offence monitoring in the US, Europe and the Far East, saw operating profit rise 75 per cent to £6.6m (£3.77m). Most of this was attributable to acquisitions – notably of four companies in Denmark, Finland, Norway and Sweden – which helped push turnover up 56 per cent to £54.1m (£34.6m).

Results for the field data side declined with sales of £34.8m (£49.5m) and operating profit of £2.12m (£3.54m). Peek said this was due to weak performance of Peek Measurement, which produces measuring equipment for the petrochemical and water industries in Europe.

Earnings per share advanced to 4.2p (3.6p) and an unchanged final dividend of 2.35p is recommended for a maintained total of 3.4p.

Mr Allen Standley, group managing director, said he was relatively cautious about 1993, noting there was a reluctance in the present economic climate in Europe for customers to make commitments to big capital investments such as traffic systems. He predicted profits growth in single figures this year.

Peek was optimistic, however, about prospects for growth over the next decade, particularly in "smart" traffic systems which increase efficiency of road use. It is looking to expand in the Far East and has negotiated a 41 per cent holding in a control systems company based in Chengdu, China.

Mr Standley said Peek was also planning to concentrate on producing strong growth in its field data side. This will come through its wholly-owned Husky computers subsidiary, which last year introduced two new "rugged" computers and increased turnover and profits.

NEWS DIGEST

Whitegate Leisure in the black

IMPROVED trading, lower interest rates and the disposal of its loss-making French businesses enabled Whitegate Leisure to return to the black in the six months to February 28.

Pre-tax profits of £682,000 for the period compared with losses of £1.51m last time and a £3.03m deficit for the 8 months ended August 31 1992.

Whitegate's core business – mass market leisure in the Midlands and the north of England – performed better, but turnover was still suffering as a result of low levels of general economic activity. UK leisure profits rose to £3.37m (£2.3m) on turnover of £10.4m (£8.7m).

The USM-quoted company said it continued to offer its healthcare businesses for sale and considerable interest was being shown. These operations turned in profits of £103,000 (£3,000 losses).

Last year's group losses were after an exceptional charge of £784,000 for restructuring costs and write down of assets. Interest took £1.66m (£1.98m) and earnings per share were 2.4p (5.6p losses).

Record declines to £1.25m

Pre-tax profits at Record Holdings, the maker of hand and bench tools, plunged from £3.35m to £1.25m in 1992.

Group turnover increased to £28.5m (£26m) with exports up more than a quarter, while UK sales declined to £16m, against £16.2m.

Redundancy costs increased sharply from £132,000 to £891,000 as the group lost more than 100 employees.

It made an exceptional provision of £395,000 against the cost of transferring plant from Warrington to Sheffield, which was partly offset by £134,000 exceptional profits (losses £189,000) on disposal of property in Canada.

The board proposes to hold the final dividend at 2.45p maintaining the total for the year at 3.6p uncovered by earnings per share of 2.2p, compared with 6.9p last time.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbott Mead ....fin	6.3	June 18	5.6	9.3	8.4
Alliance Trust ....fin	31	Apr 28	29	45	43
Antofagasta ....fin	14	June 21	13	20	19
BPP ....fin	5.3†	May 20	4.5	8	8.9
Claremont G'ment....fin	3.95	July 1	3.5	7.25	6.5
Delta ....fin	9.8	June 1	9.8	14	14
Emess ....fin	0.1	May 21	0.35	0.1	1
English China ....fin	13.4	June 15	13.4	20	20
HSBC ....fin	14.2	June 4	-	19	-
IMI ....fin	5.8	May 17	5.6	10	10
JIB ....fin	5	May 17	5	7.5	5
Laporte ....fin	12.5†	May 20	12.1	19.5	18.9
MAI ....int	2	Apr 30	1.4	-	6
Metalrax ....fin	3	Jun 4	2.64*	4	3.66*
Nichols (Vimto) ....fin	8.5	May 10	7.7	13.6	12.3
Peek ....fin	2.35†	July 5	2.35	3.4	3.4
Record ....fin	2.45	July 1	2.45	3.6	3.6
Rugby ....fin	3.6	May 14	3.6	6.45	6.45
Takare ....fin	1.2	Apr 29	1	1.8	1.5
United Uniform ....fin	2	July 15	2	3	3
Wassall ....fin	1.7	May 21	1.3*	2.5	2*
Watmoughs ....fin	8.8	Apr 30	8	11.5	10.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On increased capital.

United Uniform climbs to £3.65m

Although 1992 proved to be a more difficult year than anticipated 12 months ago, United Uniform Services, maker of fitted uniforms and corporate clothing, raised pre-tax profits by 7 per cent from £3.4m to £3.65m in 1992.

Turnover rose 6 per cent to £57.1m. Earnings per share were 10.9p (10.1p) and the dividend total is maintained at 3p with an unchanged final of 2p.

The company is to change its name to that of its principal subsidiary, Horace Small Apparel.

Metalrax maintains growth with £7.3m

Metalrax Group, the specialist engineer, continued its growth in the year to December 31 with pre-tax profits ahead from £7.21m to £7.31m, on turnover 4.6 per cent lower at £60m.

With a higher tax charge of £2.36m (£2.27m), earnings per share were marginally down at 6.81p (6.93p); but the total dividend goes up from an equivalent of 3.55p to 4p with a recommended final of 3p. A 1-for-10 scrip issue is also proposed.

Timber surge benefits Unigroup

Unigroup, the building materials manufacturer and distributor, lifted pre-tax profits from £304,000 to £466,000 in the six months to December 31.

The result reflected an upsurge in profits from the timber products division and also the cessation of activities on the clothing side where an operating loss of £122,000 was recorded in the 1991 interim period.

Turnover advanced from £11.6m to £12.7m and operating profit from £562,000 to £845,000. Sales in the timber products division increased from £4.46m to £7.71m and operating profits from £670,000 to £797,000.

Earnings per share were up from 0.58p to 1p.

William Bedford losses rise to £0.27m

With insufficient turnover to make use of its showrooms and ancillary services 1992 pre-tax losses at William Bedford, the antique dealer and restorer, increased from £210,000 to £272,000.

The USM-quoted company added that unless there was an unforeseen increase in turnover the present year would again be difficult.

Turnover was £1.57m (£1.63m). Losses per share were 5p (2.6p).

Beds increase from 2,625 to 4,335 with a further 1,170 on the way

Takare rises 56% to £12m

By Maggie Urry

TAKARE, the nursing homes group, raised profits by 56 per cent in 1992 to £11.8m, against £7.6m. Sales rose 62 per cent, from £29.7m to £48m.

Operating profits rose 61 per cent to £10.9m (£6.77m), and interest received was £941,000 (£823,000) after capitalising £4.2m (£3.1m) of interest payments.

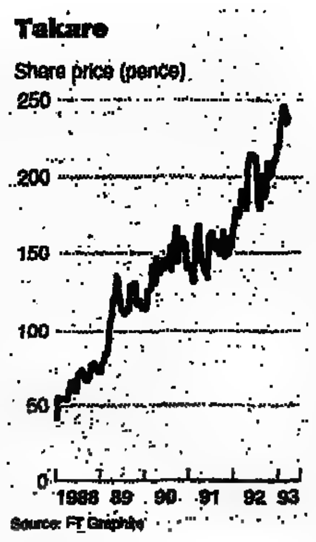
Earnings per share growth was slower, at 20 per cent to 12.1p (10.1p), because of the full year impact of the share issue in September 1991. A final dividend of 1.2p (0.6p) is proposed for a total of 1.8p.

Mr Keith Bradshaw, chairman, said the reforms to state funding of care for the elderly chronically ill, which take effect from April 1, were now clearer. Funding of £524m for 1993-94 was adequate, he said, with a majority commited to the independent sector. The principle of patient's choice of home had been enshrined in the reforms.

Takare has been in talks with all the social security departments in areas where it has homes and expected to agree prices and admissions policies with them all before April 1, Mr Bradshaw said. It had also signed long term contracts with three health authorities since details of the new system were announced last autumn.

During 1992 Takare increased its beds from 2,625 to 4,335 and has since opened another 450 with 720 under construction due to be completed by April 1. Gearing rose from 10 to 41 per cent.

Mr Bradshaw said that although Takare could fund development costs of £75m over 1993 and 1994 from existing resources, that would take gearing to an unacceptable level. At the time of the last share issue Takare promised not to raise more equity for two years. He said the group was looking at fixing interest rates on its debt.



● COMMENT

Takare's impressive growth continues, and there is no reason to doubt that it can take advantage of the opportunities its market offers. The community care reforms may cause some short term confusion, but should strengthen its hand. The only question is of funding the expansion, though even this should become less of a problem as the base gets larger. Taking capitalised interest into account, interest cover is slim, and there is every chance of a rights issue once the moratorium runs out in September. Even so, Takare has produced good earnings growth even with share issues, reflected in a prospective p/e of up to 17 on forecasts of about £14m pre-tax.

Ransomes in the black with £900,000

By Catherine Milton,

BETTER GRASS growing conditions helped Ransomes, the grass cutting machinery maker, return to profitability in 1992.

The group, however, remained highly geared.

Pre-tax profits amounted to £900,000 and replaced losses of £4.6m on turnover 6.7 per cent higher at £156.6m (£146.7m).

Aggregate turnover at the America and commercial divisions rose to £112.7m (£110.7m) and gave an aggregate operating profit ahead 64 per cent, from £4.2m to £6.9m.

The consumer division increased turnover by 22 per cent to £43.9m (£36m) giving an operating profit of £2.7m (£600,000).

Tax more than doubled from £600,000 to £1.3m – an effective charge of 48 per cent of profits before the exceptional item – largely arising out of unrelieved overseas losses.

The charge include a £200,000 write back of advance corporation tax.

Currency movements contributed to a rise in gearing from 175 per cent to about 250 per cent.

The debts arise mainly from the 1989 takeover of Cushman in the US and other acquisitions.

Losses per share worked through at to 9p, down from 17.3p last time.

A £1.8m (£1.5m) exceptional charge was provided for the write down of assets on the transfer of the Brouwer operation from Canada to the US.

One analyst said: "The company will not be able to trade out of its current difficulties." Ransomes pointed out, however, that its principal bankers and institutional lenders continued to be supportive.

Claremont Garments advances to £8.47m

By Jane Fuller

CLAREMONT Garments (Holdings), which last summer expanded its business with Marks and Spencer through the purchase of J&J Fashions, increased pre-tax profit by 35 per cent, from £6.28m to £8.47m, over the 12 months to December 26.

The share price gained 5p to close at a new high of 345p. It has climbed from 154p in July 1991, the month that Claremont demerged from Alexon, the retailer.

J&J and Alexander Milnes, a much smaller buy, added £27m to turnover, which increased 60 per cent to £81.5m (£50.9m) – of which about 95 per cent goes to M&S. The acquisitions were included for five to six months.

Claremont has about 10 per cent of the M&S ladies wear market, according to Mr Peter Wiegand, chairman.

A 2-for-5 rights issue raised £22.1m towards total spending of about £29 on acquisitions.

The extra equity limited the advance in earnings per share to 19 per cent at 16.4p (13.8p).

Mr Wiegand said three of J&J's factories had been closed and some of its work transferred to Claremont factories. About 400 jobs had been shed.

Much of J&J's senior management had gone, he said. The group also parted company with Mrs Jenifer Rosenberg, one of the founders, in an out-of-court settlement involving the payment to her of roughly £100,000.

Mr David McGarvey, managing director, said the manufacturing side of J&J had been neglected. It had been a turnover and design-led company rather than "exploiting the profitability that comes from volume".

J&J's pre-acquisition operating margins had been about 4 per cent compared with 13-plus at Claremont. It was hoped to get the combined group average up from about 8.5 to 10 per cent this year.

Net debt rose by £1m to £3m. On expanded shareholders' funds gearing stayed at about 15 per cent – lower than expected at the time of the acquisition.

A proposed final dividend of 3.95p makes a total of 7.25p (6.5p).

● COMMENT

Claremont has benefited both from the resilience of M&S and from its own management rigour in wringing impressive margins from that business. The tantalising prospect of similar discipline being imposed on J&J has helped drive the share price forward. The only surprise in yesterday's results was the pleasant one of cashflow being much stronger than expected. Most of the acquisition debt plus £1.9m of reorganisation costs were rapidly cancelled out. For the future, apart from J&J, the main scope for organic growth seems to lie in exports to the continent. The corporate wear business has promise but is small and the M&S cocoon becomes a bit of a straitjacket when the group considers selling to other retailers. A more serious prospect for medium-term growth is that Claremont will acquire further M&S suppliers. A conservative pre-tax profit forecast of £11m this year gives a prospective p/e of nearly 19 times. This is well up with events, but it remains worth holding as a quality stock.

Tough US trading leaves JIB at £18.2m

By Richard Lapper

TOUGH trading conditions in the United States insurance market and international reinsurance markets depressed pre-tax profits at JIB Group, the insurance broker, to £18.2m in 1992, compared with £20.1m.

Lower interest rates also affected the result to leave earnings per share down 26 per cent, from 13.6p to 10.1p.

A final dividend of 5p is proposed, making a total for the year of 7.5p. Last year there was a single final of 5p.

"In difficult markets and difficult times we have not done too badly," said Mr Nick Cosh, finance director of the company, which is a subsidiary of Jardine Matheson Holdings.

Turnover increased to £175.9m (£168.9m). There was a lower contribution from the US of £79.5m (£80.6m), offset by increases in the UK and Ireland to £71.7m (£66.8m) and Asia Pacific to £24.8m (£21.5m).

Administrative expenses rose to £176.3m (£165.2m), partly because of a number of one-off costs.

The closure of the Philadelphia and New York offices cost £1.5m.

Although the dollar strengthened towards the end of the year, foreign exchange losses earlier in 1992 cost another £1m.

Income from associated undertakings rose to £2.26m (£416,000), and interest payable fell to £3m (£4.5m).

The Telegraph recommends purchase of Southam stake

By Maggie Urry

THE TELEGRAPH, the newspaper group 68 per cent-owned by Mr Conrad Black's Hollinger Group, has written to shareholders giving details of the proposed £72.3m purchase of a stake in Southam, the heavily-indebted and loss-making Canadian newspaper group, from Hollinger.

The deal is subject to approval of shareholders other than Hollinger, a Canadian holding company, at a special meeting on March 30. The shares fell 3p to 330p.

The Telegraph's independent directors, advised by NM Rothschild, the merchant bank which handled The Telegraph's flotation last summer, are recommending the deal. Shareholders with 8.3 per cent of the group's equity, more than a quarter of the non-Hollinger shares, have agreed to vote in favour.

In the circular shareholders were told that the deal would dilute earnings in the short term, although not significantly, and that The Telegraph would not receive dividends from its investment "until towards the end of 1994". It expects to equity account the stake, which will be held through a joint company owned 50:50 with Hollinger.

The independent directors said that the investment in Southam represented "a unique opportunity". Mr Joe Cooke, managing director of The Telegraph, said it would be able to influence Southam through three directors nominated by Hollinger and The Telegraph.

He said Southam would benefit from recovery in the Canadian economy, from improving its marketing and cutting overmanning – with advice from The Telegraph – and could sell its non-newspaper divisions.

Hollinger agreed to buy the 22.5 per cent stake in Southam on November 8 last year at a cost of C$258.6m (£145.2m), or C$18.10 per share, a 15 per cent premium to the then market price. The deal was completed on January 8. The Telegraph will buy half that stake paying the same price as Hollinger did, although the Southam share price has since fallen to C$13.50.

European Leisure recovers

By Richard Gourley

EUROPEAN LEISURE, the disco and snooker hall operator which is being investigated by the Serious Fraud Office and is beset by high debt, reported pre-tax profits of £54,000 for the six months to December 31.

Last year there were losses of £45.8m after a £34.6m exceptional charge to cover losses on disposals. Sales fell 10 per cent to £35.3m (£39.1m).

The net interest charge rose from £3.76m to £4.1m. Debt was unchanged at £76.6m for gearing marginally higher at 227 per cent. Losses per share were 0.65p (28.6p).

Distributable reserves remained inadequate to pay either the preference or the ordinary dividend.

Mr Ian Rock, chief executive, said SFO investigations over the takeover of Midsummer Leisure were continuing but did not affect the daily operation of the company.

Its bank facilities expire in July by which time it hoped to have worked out a programme to take the group forward.

During the year the group sold 23 units, and withdrew almost entirely from France. There were six loss-making units in the UK still to be sold. Mr Rock said that at this stage he did not envisage the need for more provisions covering disposal losses.

Debt had not fallen as the units sold had made losses and because there had been investment in the remaining 125 profitable disco and snooker units, Mr Rock said.

"There is nothing wrong with the business," he added. "The future is dependent on finding a proper solution to our debt problem."

Anglia sets up joint ventures with HBO

By Gary Mead,
Marketing Correspondent

ANGLIA TELEVISION has entered into three joint ventures with Home Box Office, a division of Time Warner, to produce and distribute television programmes and films internationally.

Under the terms of the deal, Anglia and HBO will jointly form Citadel Entertainment, which will undertake the business of Citadel Pictures, currently a division of HBO. Anglia will pay $3.5m (£2.46m) in two stages for its interest in the new venture.

At the same time Anglia will receive, also in two stages, $1.5m from HBO for a 50 per cent interest in International Television Enterprises, currently a wholly-owned subsidiary of Anglia.

HBO will also acquire a 49 per cent voting interest in Anglia Television Entertainment, a new company which will undertake activities currently performed by Anglia's film and drama department. Anglia will receive about £250,000 from HBO, representing some 50 per cent of the value of Anglia's film and drama programmes currently in development.

The joint ventures are seen by industry analysts as mutually beneficial to Anglia and HBO, which serves more than 23m pay-cable television subscribers in the US.

IMI suffers 7% fall to £68m

By Paul Cheeseright, Midlands Correspondent

IMI, the international engineering group, held the decline in its profits before tax for the 1992 year to 7 per cent.

The pre-tax outcome of £68m compared with £73.2m last time. Earnings were 13.6p (15p) and the total dividend is maintained for the third year running at 10p via a final of 5.8p.

The stock market viewed the figures benignly enough to push the shares up 11p to 270p, checking the decline of last week when the shares dipped some 6 per cent.

Turnover advanced from £968m to £1.01bn, producing operating profits down on margin pressure to £75.6m (£78.1m). Interest payments increased from £5.8m to £8.4m, reflecting both an increase in gearing over the year to 26 per cent (22 per cent) and, more significantly, foreign exchange variations towards the end of the year.

The group is now nearing the end of recession-induced rationalisation. "Major job losses: we think that is now behind us in 1992," said Mr Gary Allen, chief executive, noting that the net loss of jobs during 1992 was 1,100, taking the total payroll at the end of the year to 17,500.

"The high level of capital spending we have undertaken in recent years puts us in a good position to recover quickly in any general upturn in activity," said Sir Eric Pountain, chairman.

In the last financial year, IMI spent £54m on fixed capital investments and £20m on acquisitions. Over the three years of recession its capital expenditure - £160m - has been running at 1.5 times the rate of depreciation and its acquisition spending has reached £120m.

Of the main operating divisions, drinks dispense and fluid power were the strongest, underpinning operating profits. Earnings were lower in the fluid power and special engineering divisions, the last containing the troublesome titanium operations which continued to lose money.

COMMENT

Given a flat UK economy, divining IMI's immediate future is the art of balancing the brightening US economic prospect against the darkening continental European market. The group has helped itself to the extent that it has now, after heavy investment, sorted out its copper tube operations and is gaining market share. Titanium should stop losing money this year as the market firms, but fluid power remains a worry in Europe and the best year for selling building products in Germany has passed. Small wonder it is looking for expansion in the Far East. Still, drinks dispense looks strong and recent capital investment will flow through to the bottom line this year making 1993 pre-tax profits of £75m look feasible. That would produce earnings per share of 15.5p, giving the shares a prospective p/e of 17.4, high enough until the European clouds lighten.

Delta hit by US cable problems

By Jane Fuller

WITHDRAWAL from an Australian business and continuing problems in US cables further undermined profitability at Delta, the electrical engineering group, last year.

Pre-tax profit for 1992 fell 14 per cent to £55m (£64m) on turnover of £785.9m (£774m). This followed about £3m of rationalisation costs at Surprenant, a US cables company badly affected by defence cuts, and a dent in profits of more than £6m in Australia.

Mr Robert Easton, chief executive, said disposals and closures in Australia accounted for 80 per cent of the £8.2m profit fall in the industrial services division, which made £12.8m pre-interest on £160.1m (£191m) sales.

Losses in North America were the main factor behind a 33 per cent decline in profits in the cables division to £8.68m (£13.1m) on £263.8m (£279.4m) sales. The impact of severe competition in the UK was offset by exports.

The biggest profit earner was the engineering division, including plumbing products and control equipment. It rose to a record £22.2m (£21.3m) on £320.1m (£295.1m) turnover, thanks to continuing growth in continental Europe. However, continental demand slowed in the second half.

In circuit protection, profit recovered to £17.1m (£13.6m) on £132.7m (£110.8m) sales. New products, particularly a circuit breaker for industrial use, had improved market share.

The results included a £1.69m profit on a business disposal and a £2.71m currency gain on an investment related to an aborted US acquisition. Mr Easton said Delta backed out of the purchase, worth about $200m (£140m), because of a last-minute problem arising from the due diligence exercise.

It would have been debt financed, taking gearing to between 50 per cent and 60 per cent, as the group retains its aversion to equity issues.

Year-end gearing rose from 13 per cent to 18 per cent, on net assets of £322.2m. The main purchase was the outstanding 36 per cent stake in Delta Crompton Cable for £37m from BTR.

Earnings per share slipped from 27p to 23p. The proposed final dividend is held at 9.8p to give an unchanged total of 14p.

COMMENT

Delta faces another year of swings and roundabouts as recession in continental markets is expected to halt the record run in engineering and offset any gains from recovery in the UK and US. The pound's devaluation should help exports from the UK as well as providing gains in translation this year. Restructuring costs should also be lower this year. The balance sheet is comfortable and an acquisition would certainly liven up views on the company, which has come to be seen as solid and unexciting. A pre-tax profit forecast of £57m gives a prospective p/e of nearly 18 times after yesterday's 9p rise in the share price to 444p. This looks about right, bearing in mind the continental impediment to a proper recovery in group profits.

Amersham expands in the US via $69m buy

By Clive Cookson, Science Editor

AMERSHAM International, the UK health science group, is to acquire United States Biochemical, a privately-owned supplier of reagents to the biotechnology and pharmaceutical industries, for up to $69m (£48m) in shares and cash.

Amersham will pay $52m immediately to the group of investors headed by Mr Thomas Mann who are selling USB. Further payments up to $17m will follow over the next three years, depending on sales of USB products.

USB – founded 20 years ago in Cleveland – is known particularly for making enzymes that genetic researchers use to determine DNA sequences. It is expected to make pre-tax profits of $3.6m in the year to April 30, on sales of $36m.

"This represents a strategic step forward for our life science business," said Mr Bill Castell, Amersham chief executive. "Joining with USB will give us a leading position in both radioactive and non-radioactive sequencing and will provide critical mass in the vital American marketplace."

In 1990 Amersham bought the US-based Medi-Physics business for $46m and sold its clinical reagents business to Kodak for £84m.

Price rises in pipeline as Rugby edges up to £57.6m

By Andrew Taylor, Construction Correspondent

BUILDING MATERIAL price increases are starting to be forced through by producers according to Rugby Group, which supplies cement, joinery, steel and glass to the UK, European and US construction industries.

Rugby's share price rose by 6 per cent yesterday, from 222p to 236p, after pre-tax profits edged ahead from £57.3m to £57.6m over 1992 despite deep recession in the UK construction industry.

Mr Peter Carr, managing director, said that there were clear indications that material producers believed the time was right to try to recover lost margins by pushing up prices.

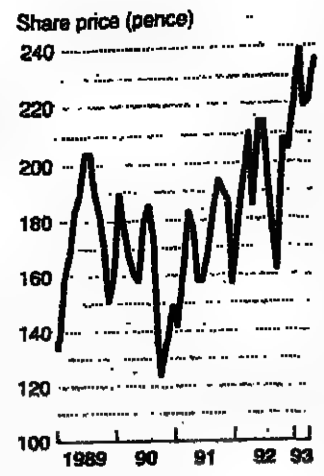
Increases announced at the beginning of this year of up to 13 per cent by British Steel and 8 per cent by Pilkington, the UK glass manufacturer, so far had held firm, he said.

"The closure of large manufacturing capacity means that supply and demand is coming back into line. With the prospect of revival in the housing market there appears to be a concerted attempt among manufacturers to make price rises stick."

Foreign manufacturers suffering from sterling's devaluation were in no position to undercut price moves by British companies. In the case of glass, continental European manufacturers had followed Pilkington's lead and raised their own prices by a similar amount according to Mr Carr.

Rugby Group

Share price (pence)



Source: FT Graphite

He said that steel, glass, plasterboard, timber and other product price price rises could increase UK building material bills by up to 6 per cent this year. This could be damaging for contractors and sub-contractors which had taken on fixed-price construction contracts at little or no profit margin.

Rugby, Britain's third largest cement manufacturer with about 20 per cent of the market, needs to buy steel, glass and timber for its constructional steel, steel reinforcement and joinery businesses. Cement prices, unlike those for other building materials, have seen small rises during recession but have not been increased this year.

A 15 per cent fall in UK trading profits to £29.4m (£34.8m) was offset by a 41 per cent increase in overseas profits from £16.6m to £23.4m. International profits were helped by the devaluation of sterling.

A 7 per cent increase in Australian dollar profits, for example, became a 20 per cent gain in sterling at year-end exchange rates.

UK cement profits fell 12 per cent to £16.8m following a 5 per fall in volume sales. Rugby said that it expected sales to decline by a similar amount in the current year.

Interest received rose from £4.43m to £4.82m and helped maintain earnings per share at 13.1p. An unchanged final dividend of 3.6p holds the total for the year at 6.45p.

COMMENT

Currency translations had a mixed effect on Rugby's results, enhancing the sterling profits of overseas operations but depressing by £17m the value of cash reserves which during the year fell from £24m to £12m. Devaluation will reduce the amount of interest receivable in the current year offsetting further trading improvements in Australia and the US. As a result profits seem likely to show little change. Rugby is a well managed group, with a strong balance sheet and adequate dividend cover, which has shown itself capable of funding necessary capital expenditure out of cashflow. A prospective p/e of 18 on maintained earnings, however, suggests that these virtues have been recognised in the share price.

Wiltshire cuts loss to £979,000

Wiltshire Brewery, the USM-traded brewer and distributor in which the UB Group of India late last year gained management control, yesterday reported a reduced annual deficit.

On turnover at £2.47m for the the 12 months to November 30 (£2.5m for 14 months), losses before tax were £979,000 (£1.39m), struck after exceptional charges of £297,000 (£460,000). Losses per share were 8.58p (15.93p).

At the operating level, however, the company returned to the black with profits of £38,000 (losses of £207,000).

The figures did not reflect December's £6.9m refinancing and purchase of 37 pubs. Mr Vijay Mallya, chairman, said that gearing had dropped from 354 per cent to 102 per cent on a pro-forma basis.

Mr Mallya attributed the improvement at the operating level to the conversion of loss-making houses into tenancies, thereby reducing overheads and generating rental income. Some 83 per cent of the estate is now tenanted. However, the company still has a bad debt problem.

The company plans to change its name to United Breweries.

Watmoughs rises 51% to £12m and wins magazine contract

By Paul Taylor

WATMOUGHS (Holdings), the Bradford-based printer, yesterday announced a 51 per cent increase in 1992 full year profits and said it detected a "slight improvement" in the UK newspaper colour supplement and magazine markets.

At the same time Mr Patrick Walker, chief executive, revealed that the group had won the contract to print the News of the World's Sunday colour supplement, Britain's biggest circulation magazine with a weekly print run of 5.2m copies.

Mr Walker said News International had signed a letter of intent for the group to begin printing the supplement in April next year, when the present contract with a German printer expires.

Watmoughs has yet to decide on whether to buy a new press to service the contract.

Pre-tax profits for 1992 increased to £12.2m (£8.1m) on turnover which rose to £118.9m (£107.4m) despite difficult trading conditions, industry excess capacity and pressure on margins.

After adjusting for the £22.3m rights issue early last year, earnings increased to 26p (20.6p). A recommended final dividend of 8.8p makes an 11.5p (10.5p) total.

The profit improvement reflected the recovery from a temporary downturn experienced in the 1991 second quarter, coupled with lower interest charges of £456,000 (£2.54m) following the receipt of the proceeds of the rights issue and lower interest rates.

Mr Walker said the group had managed to increase its share of the market for high quality long run colour supplements, magazines, mail order catalogues and retail brochures.

Export sales from the UK continued to grow reaching £5.96m (£3.75m) last year. Supported by its strong cash flow the group has been investing heavily in new technology and expanding its presence in continental Europe.

Capital expenditure last year totalled £59.3m including a substantial investment on new presses in the UK and £31.6m on the group's new gravure plant in Madrid which begins printing next month.

The group ended the year with net borrowings of £26m and gearing of 29 per cent (30 per cent).

COMMENT

Watmoughs has been investing heavily in its future. In the three years to December 1993 it will have spent £56m on capital investment in the UK and £46m in Spain and Hungary. The Madrid plant will begin with three titles, the group's recently acquired Hungarian subsidiary, Reval,is already contributing profits and, helped by a weak pound, the group is winning business back from the Continent. Meanwhile in the UK it has won new orders for substantial retail catalogues and says it detects a upturn in the newspaper supplement and magazine markets. But even without a recovery, profits should grow to about £14.2m this year producing earnings of some 30p per share. The stock has been climbing since last summer and, after gaining another 15p to reach a new high of 620p yesterday, is trading on a lofty prospective p/e of 20.7.

Acquisitions help boost BPP to £7m

By Andrew Bolger

A DROP in spending on language training by large international companies restricted growth in 1992 at BPP Holdings, the education and training group.

However, pre-tax profits still increased from £6.39m to £7.08m thanks to a full-year contribution from acquisitions during 1991. Sales rose from £42.4m to £48.7m.

Linguarama, the language training subsidiary, encountered increasingly difficult trading conditions. An exceptional charge of £650,000 covered redundancies and the closure of language schools in Japan and France.

Mr Richard Price, chairman, said this reorganisation would result in a more competitive business comprising 34 schools in 10 countries, although trading was likely to remain difficult in Japan and continental Europe.

Operating profits from language training were £857,000 (£1.16m) on turnover of £17.4m (£18.3m). A breakdown of profits and turnover showed publishing at £3.29m (£1.95m) on £14.3m (£9.53m), professional training at £2.47m (£1.88m) on £12.6m (£10.1m) and academic education at £306,000 (£484,000) on £4.36m (£4.42m).

Net cash at the year-end was £10.2m (£6.7m). In spite of considering a number of candidates, BPP made no acquisitions in 1992.

Earnings per share fell from 17.3p to 16p, thanks mainly to an increased tax charge of £2.67m (£2.09m). The group said that given the cash-generative quality of the business, it had decided to increase the final dividend to 5.3p, giving a total for the year of 8p (6.9p).

DAP gives lift to Wassall

By Roland Rudd

WASSALL, the mini-conglomerate run by former Hanson executives, reported a 73 per cent increase in pre-tax profits for the year to December 31 after a first full 12 month contribution from DAP, a US supplier of DIY products.

Profits rose from £10.3m to £17.8m on increased sales of £251.1m (£165.2m).

DAP, which was acquired in August 1991, contributed £8.9m to operating profit of £20.6m. Margins increased from 5 to 8 per cent, just below the group's average of 8.2.

The US company's diverse product range was rationalised, leading to the elimination of 500 stock-keeping units, accounting for $10m (£7m) of sales. This was more than recouped by aggressive marketing of DAP's more profitable products.

The number of plants is being slimmed down from 9 to 7, which Wassall expects to lead to more opportunities to increase margins.

With the conglomerate's other businesses reporting a 17 per cent increase in operating profits from £10m to £11.7m, Mr Chris Miller, chief executive, believes he is under no pressure to make another takeover.

However, he said: "People invest in us to do deals and we are already looking at various opportunities."

In the light of its failed bid for Evode, the chemicals and plastic group, Mr Miller said: "We have learnt the lessons that there will always be a big risk of a white knight when targeting a good company."

Laporte, the chemicals group, won the battle for Evode earlier this year, easily outbidding Wassall with a recommended £129.4m bid. Wassall covered the costs of its bid by selling its 3.5 per cent stake in Evode for £1m.

Consumer products, which includes DAP, reported operating profits of £10.5m (£3.99m); Closures, the bottle top maker, made £9.3m (£8m), and industrial and commercial activities turned in £900,000 (£800,000).

Earnings per share increased to 10p (8.7p). The final dividend rises to 1.7p making an increased total of 2.5p (2p).

COMMENT

Good companies at rock-bottom prices are hard to find, which is why some conglomerates may turn out to be bigger sellers than buyers this year. Not so Wassall. After failing to win its hotly contested bid for Evode, it is back on the takeover trail. The next target is more likely to be private than publicly quoted. This is partly because Wassall does not want to find itself in a bidding war and partly because private companies like doing business with people who have cash. With interest rates at record lows on both sides of the Atlantic there are not many arguments in favour of keeping £31m in the bank. With forecast earnings of £25.5m the shares are on a prospective multiple of 20.7. As long as it can find another acquisition which can repeat DAP's success, its high rating continues to be justified.

Abbott Mead slips 6% to £4.7m

By Gary Mead, Marketing Correspondent

ABBOTT MEAD VICKERS, the advertising group, yesterday exceeded analysts' expectations by turning in pre-tax profits 6 per cent lower at £4.72m for the year to December 31, on turnover up 5.6 per cent at £167.8m.

Operating profits were up by 5 per cent at £4.45m (£4.24m), and a recommended final dividend of 6.3p makes a total of 9.3p (8.4p), payable from earnings of 18.71p (22.09p) per share.

Operating margins were down slightly at 15.5 per cent (16.6 per cent). The group ended the year with no debts, and net assets of £10.1m.

The advertising agencies within the group gained £50m in new business through 1992, including significant accounts such as Seat, Adidas, Gillette and Cellnet.

The group said that three small companies which the group started in 1992, in sales promotions and investor relations, would be in profit this year, and that its purchase of some of Clarke Hooper Communications – which went into receivership in late 1992 – was already showing profits.

Staff levels reached 391 (352) last year, but income per employee levels were almost stable, at £73,701 for 1992, against £74,691 in 1991.

Aminex/Tuskar

Aminex has increased its offer for Tuskar Resources to 3 new shares for every 11 Tuskar. This represents an increase of 50 per cent on the original bid, made on February 15.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 15.03.93: Pool purchase price £/MWh	Final Prices for Trading on 16.02.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.72	18.22	18.22
0100	26.07	22.07	23.81
0130	34.61	[illegible]	25.33
0200	34.61	23.52	25.29
0230	23.16	22.07	23.76
0300	20.93	21.74	23.42
0330	18.74	[illegible]	23.27
0400	18.10	18.06	18.06
0430	17.69	[illegible]	18.02
0500	17.60	18.04	18.04
0530	17.64	18.04	18.04
0600	18.58	18.02	18.02
0630	17.98	18.08	18.08
0700	[illegible]	21.50	23.20
0730	23.16	21.41	23.11
0800	23.16	[illegible]	23.20
0830	24.88	21.50	23.19
0900	24.88	22.00	23.70
0930	29.98	22.00	23.70
1000	29.98	22.00	23.70
1030	29.98	24.11	26.89
1100	25.00	24.11	25.88
1130	25.00	24.11	25.88
1200	25.00	24.11	25.88
1230	24.88	24.11	25.88
1300	24.88	24.11	25.88
1330	24.88	22.00	23.70
1400	23.48	18.67	18.67
1430	19.67	18.60	18.60
1500	19.67	18.52	18.52
1530	19.67	18.63	18.63
1600	19.67	18.77	[illegible]
1630	23.48	[illegible]	23.88
1700	24.88	23.84	25.57
1730	24.88	30.21	32.12
1800	23.49	30.22	32.11
1830	26.80	30.22	32.08
1900	28.14	28.52	28.28
1930	28.13	24.19	25.89
2000	28.05	22.00	23.65
2030	24.88	21.59	23.24
2100	23.48	[illegible]	23.24
2130	23.30	21.50	23.16
2200	23.16	[illegible]	23.17
2230	23.16	20.96	22.61
2300	18.72	18.06	18.06
2330	17.98	17.56	17.56
2400	18.56	17.56	17.56

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly [illegible] to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

NGC Settlements Limited

FINANCIAL TIMES SURVEY

CONTRACT ELECTRONICS MANUFACTURE

Tuesday March 16 1993

A rapidly rising proportion of electronic equipment is now manufactured on behalf of the big international suppliers by outside contractors. **Paul Taylor** probes the reasons for the emergence of this expanding force within one of the world's predominant industries

Farewell to sweat-shops

CONTRACT electronics manufacturing (CEM) has become the fastest growing sector of the European electronics industry and is on target to become a $22bn global business by the mid-1990s.

In the UK a group of dedicated contract electronics manufacturers have successfully shaken off the second-rate "sweat-shop" image of sub-contract and assembly work in the 1960s by investing heavily in advanced production and test equipment, training and quality processes.

Today their big customers are blue chip multinationals such as IBM, Sony, Bosch, Motorola, AEG, and Matsushita which require fast response times, flexibility and first class quality, as well as cost-effective manufacturing. These companies are using contract manufacturers as part of their global strategies to maintain and improve international competitiveness.

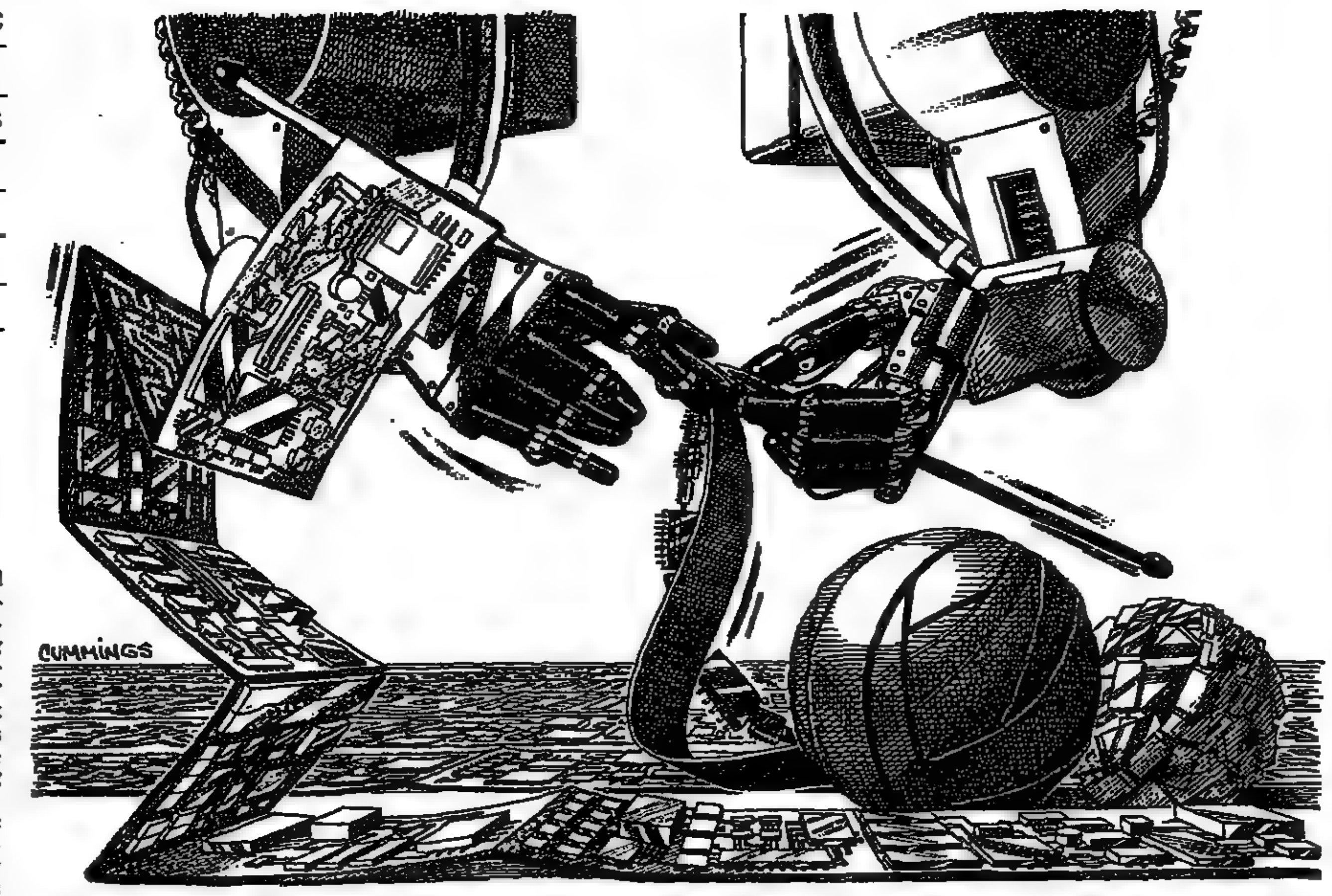
From humble beginnings the UK industry has entered what Mr Bruce Armstrong, managing director of SCI Europe, describes as its third phase – strategic global partnerships between OEMs and contract manufacturers which can provide full turnkey services from design and printed circuit board layout, through to product distribution.

A handful of factors have fuelled the growth in CEM over the past decade. In particular, the pace of technological change has resulted in shortened product life cycles requiring increased manufacturing flexibility and worldwide manufacturing capability. In order to remain competitive in fast moving consumer-led markets companies have had to reduce the period it takes to bring new products to market.

At the same time electronic controls are replacing electro-mechanical devices in many consumer products such as cars and medical equipment whose manufacturers have little or no electronics manufacturing experience or capacity.

Meanwhile, the continuing push for smaller, more portable but more sophisticated products such as mobile phones and notebook computers requires greater silicon integration and results in more complex devices. These are best manufactured using advanced techniques for placing components on printed circuit boards such as surface mount technology which require expensive specialist machinery and expertise to design, assemble and test and which involve considerable "manufacturing risk" because of market volatility.

The trend towards CEM also mirrors the move towards buying in a wide range of service and other peripheral corporate functions, backed by the management theory that organisations should focus on their "core competencies" and contract out every thing else – creating what some observers have called "the virtual corporation".



Recessionary pressures have forced some managements to reconsider the "make or buy" decision. But generally, although contract manufacturing can result in cost savings, most participants argue this should not be the primary motivation.

The arrival of the single European market has encouraged many Japanese and other original equipment manufacturers (OEMs) to set up locally in Europe. As MHM, a market research organisation based in Ayr, Scotland, noted in its latest study of the European CEM market, business from these companies "has fuelled spectacular expansion in at least one CEM house".

MHM describes the growth of the UK market in the 1980s as "spectacular". The turnover of the six largest sub-contract companies in the UK, SCI, Race, Avex, AB, Philips, Welwyn and Timex, grew by an average 42 per cent per year between 1984 and 1990.

Growth has slowed considerably since then, in part reflecting the recession and the sharp price war in the computer and IT sector which accounts for a still large, but declining, proportion of the CEM industry order book – a trend which has been partly offset by increased demand from new customers in the automotive, telecommunications and industrial sectors.

According to the Association of Contract Electronics Manufacturers (ACeM), part of the Electronic Components Industry Federation (ECIF), formed in 1990 to provide a voice for the emerging industry, the overall UK market was worth about £550m last year, and is growing at an underlying annual rate of 10-15 per cent.

ACeM membership now totals 48 contractors representing 70-80 per cent of the UK CEM industry which, despite being capital intensive, employs around 10,000 people.

"Rapid growth over the last 10 years has resulted in a fragmented industry expanding on the back of a rapidly expanding electronics industry," said Mr Eric Luckwell, chairman of Datalink Services, a small Loughborough-based CEM, in a study of the UK market.

"The capability of these organisations ranges from the very high volume and complex technological process, such as surface mount technology and automatic component insertion, to the very low volume and simple labour intensive processes," he said.

Mr Derek Duffett, ACeM director, groups the UK CEM market into four groups.

- **Large companies dedicated to contract electronics** include SCI and Avex, Scottish subsidiaries of US groups, which are also multinationals in their own right and whose main business is high volume, low margin work for big OEMs.

Their particular strengths are their capacity, sophisticated automated manufacturing systems, substantial component purchasing power and worldwide facilities. "Our customers are global, so are we," says Carol Brannigan, Avex Electronic's European sales and marketing director and chairman of ACeM's Promotions Committee.

"European customers and global companies operating in Europe are telling us they need total product life cycle management services not just PCB assembly and test," she says. In response big CEMs are building what she calls "a transparent or seamless partnership" linking CEM and customer using electronic data interchange (EDI), integrated MRP (Materials Requirement Planning) systems, CAD/CAM design systems and electronic mail.

- **Medium-sized dedicated CEMs** are the second group. These generally maintain close links with OEM design houses working in specialist applications areas, such as the industrial and professional markets. Almost half of ACeM's membership falls into this category with most companies employing between 100 and 500 people. They include Welwyn Systems, the contract electronics subsidiary of the TT Group which also acquired AB Contract Electronics last year, and Race Electronics.
- **Small start-up companies**, the third group, emphasise their flexibility and personalised service, particularly to entrepreneurial businesses which may want prototypes built and tested or require low to medium manufacturing volumes.
- **The in-house contracting departments of original equipment manufacturers.** These units have been created to fill spare capacity or diversify into new areas. Established players include Philips Circuit assemblies and Rank-Xerox Manufacturing Services. These companies often have access to specialised environmental and test equipment in design and failure analysis.

Recently they have been joined by other OEMs with excess capacity which, together with the arrival in Europe of new Far East competitors such as Flextronics, is causing concern in an industry which arguably already has excess capacity and thin margins.

"Presently the CEM industry can stand the additional capacity better than many other mature electronics sectors," said the MHM report, "but this situation will not continue indefinitely."

An industry shake-out and reorganisation is widely expected amid forecasts that the industry will become increasingly polarised between the high volume, low margin multinational CEMs, and the much smaller niche companies.

Mr Gordon Stewart, UK director of specialist management consultants Pittiglio Rabin Todd & McGrath, told an ACeM conference in October that the dominant feature of the CEM industry in the 1990s will be the performance gap between an emerging super-league of multinational manufacturers and a horde of increasingly marginalised smaller competitors.

Because the UK market is maturing most of the large CEMs are adopting the twin strategies of trying to win back business which has gone off-shore, particularly to the Far East, while also expanding overseas themselves.

Armed with internationally accepted quality assurance standards and total quality management programmes the UK's leading CEMs have been stressing the importance of looking at total costs – including loss of flexibility and transport delays – in their attempts to win back offshore business, and have been having some

□ Continued on page 3

IN THIS SURVEY

■ **Profile:** Electronics Design and Manufacturing Services

Targets are being achieved

A STATEMENT hangs on the reception wall of Electronics Design and Manufacturing Services' purpose-built headquarters at Maldon, Essex.

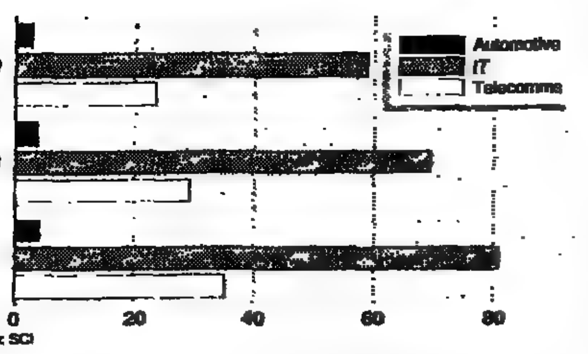
It says simply: "Our aim is to establish EDMS as a significant force in contract manufacturing, primarily focusing on the needs of multi-technology based companies. We will achieve this by providing a quality manufacturing facility, with a professionally minded, technically capable workforce, and by developing a 'Partnership in Production' with all our customers and suppliers."

EDMS appears to be well on the way to achieving its primary objectives. The company was originally a department within Industrial Control Services, *supplying circuit boards* for the UK-based international electronic safety systems group which obtained a Stock Exchange listing last year.

But it became a separate, fully owned ICS subsidiary in 1986 and has since grown quickly, moving into its custom-built *20,000 sq ft factory* in 1990. Today, according to Mr John Reid, EDMS's managing director, only 10-15 per cent of its business comes from the parent company.

Although EDMS made a small operating loss in the year to May 31 last year, it has moved back into profit since then. In the first half it made an operating profit and should be profitable at the pre-tax level in the current second half, says Mr Andrew Leeser, group financial director. Contract manufacturing is, it seems, recession proof in terms of volume, but not in terms of margins.

Key market growth



Source: SCI

EDMS's volumes have doubled in two years from £5m to *£10m-£12m this year, reflecting* growing interest in contract electronics in its prime computing, industrial, telecommunications, medical and consumer electronics markets.

Its customer base includes companies such as Acorn (EDMS produces motherboards *for Acorn's educational* computers), Reuters, Unicam and British Telecom. It exports its products throughout the UK and Europe where it distributes directly to Reuter's customers.

EDMS is a principally a niche player producing "specialised products in (relatively) small volumes," says Mr Reid. The service spans the range from prototype and small batch fast-turn around projects to medium volume production.

In particular, EDMS has targeted consumer goods manufacturers who are replacing electro-mechanical controls and incorporating sophisticated electronics into their products for the first time.

Since they lack the capital equipment or in-house electronics expertise, they represent a prime opportunity for innovative contract electronics manufacturers whose design engineers can work with them and produce electronic controls based on the latest surface mount technology (SMT).

Mr Reid sees "a big growth opportunity" for companies whose core business relies on using SMT. Companies moving from mechanical to electronic controls "are going straight to SMT", he says.

These days EDMS can provide customers with a cad/cam service to lay out cards using the latest surface mount technology. It also has a product engineer who spends one or two days a week with customers helping to design products to ensure that when it comes to manufacturing, "we have taken out a lot of cost".

Mr Reid, who is due to become chairman of the Association of Contract Electronics manufacturers at this month's *Nepcon exhibition* in Birmingham, calls this process "design for manufacturing" or "cost engineering".

EDMS is now working with three of its customers on new products from design to manufacturing using its fully computerised cad/cam system to *support printed circuit board* layout. One product is a spectrometer designed in conjunction with a customer which has transferred all its PCB business to EDMS.

EDMS is also working with a computer product design house manufacturing a product to its *design for the European market* in direct competition with Far East imports.

To reinforce the "partnership" between EDMS and its customers a programmes engineer is appointed to each new customer and retains full responsibility for that contract including its commercial, financial, technical and administrative aspects.

An offshoot of ICS, it now takes only 10-15% of its business from its parent company

The recent rapid growth in the business means that EDMS has already outgrown its headquarters building which houses the company's £500,000 investment in fully automated in-line surface mount capability using Dynapert and Mydata equipment, *together with* comprehensive in-circuit, functional and temperature stress testing.

Unlike big companies which need high volumes to support their heavy capital investment, EDMS's contract volumes are much smaller, but nevertheless often involve highly complex mixed technology boards. So EDMS uses slower, more flexible surface mount machines *capable of handling* a wide range of components together with a highly skilled workforce which can undertake hand assembly where required.

A second 7,000 sq ft building which is being renovated will be used for EDMS's growing board upgrade and repair service *and, at the* end of last month, the company moved into a third Maldon manufacturing unit dedicated to building complete systems.

EDMS has spent £300,000 on the latest surface mount and test equipment for the 20,000 sq ft factory which will create jobs for 85 people in addition to the 150 already employed by the company. All three facilities are linked and controlled by a computer network which controls all procurement, manufacturing and finance.

EDMS chose its location carefully. In the early days of contract manufacturing most customers supplied all the components on a "consignment" basis. It was therefore important to site the manufacturing facilities close to the original equipment manufacturers (OEMs) to minimise transport costs.

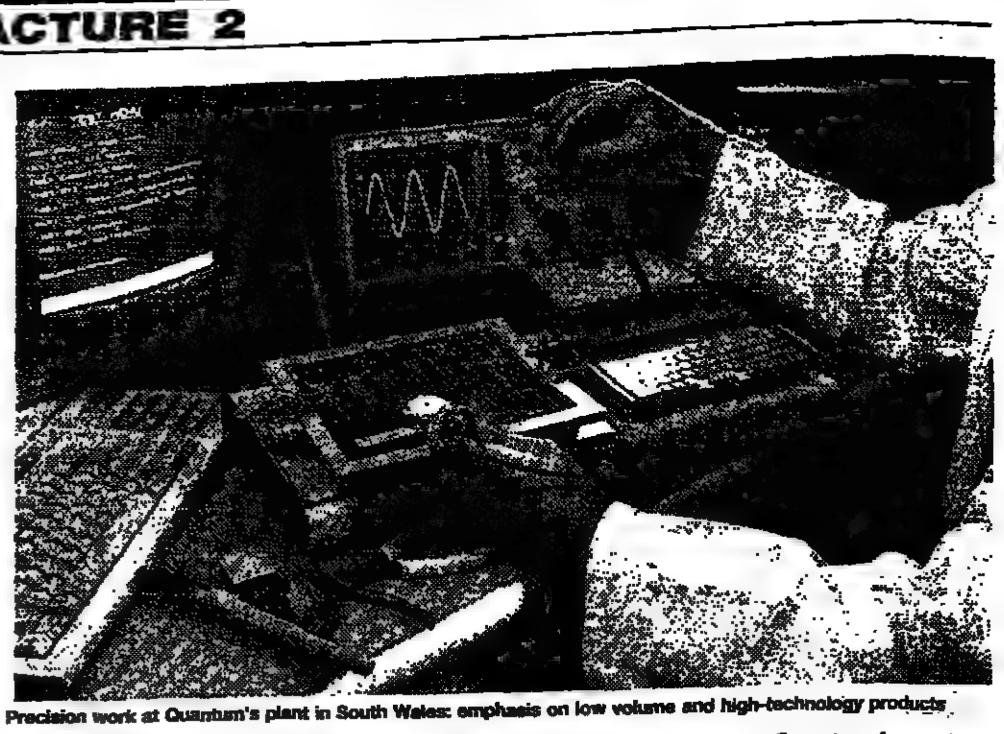
However, these days most customers rely upon the contract manufacturer to provide a full service including procurement. Physical location has become much less significant – particularly since most paperwork, and even design work, can be handled electronically *using electronic data interchange* (edi) systems.

Another distinctive feature of today's UK-based contract manufacturers is their commitment to quality standards. For example, all EDMS operations are governed by a company-wide quality management programme and all stages of administration, manufacture and testing are audited to internationally recognised quality standards.

EDMS is also working to maintain a high level of customer service. It has opened an office in Grangemouth, Scotland, to support its developing customer base in Scotland and Ireland. In addition, it has launched a sales drive to find *business in new niche markets* in continental Europe.

Mr Reid is very optimistic about the future. "Britain is the centre in Europe for contract manufacture," he says, and he is determined that EDMS will play a significant role in the development of European CEM.

Paul Taylor



Precision work at Quantum's plant in South Wales: emphasis on low volume and high-technology products

■ **Profile:** Quantum Electronics Manufacturing

Born with a silver spoon in its mouth

QUANTUM Electronics Manufacturing was born with an industrial silver spoon in its mouth.

Formed in January last year after a management buyout from Mitel Telecom, it inherited a purpose-built electronics plant in South Wales, the latest manufacturing equipment and a skilled and dedicated workforce used to high quality customer-driven manufacturing techniques.

The buyout, backed with £1.2m investment from 3i, the Welsh Development Agency, Mitel and the Bank of Wales, was organised by a group of managers who had successfully reorganised Mitel Telecom's operations in Portskewett, South Wales, following its acquisition by BT.

The Mitel reorganisation released space for the plant, *considerable equipment and* other resources.

Initially in March 1990 the managers, led by Dr Terry Summers, the plant's materials director, won the backing of Mitel to establish a sub-contract manufacturing operation using the plant's surplus resources.

The new manufacturing operation concentrated on low volume high technology contracts emphasising responsiveness to its customers. But the business required more capital investment and management time than Mitel could spare, so the management buy-out was organised and approved at the start of last year.

Since then Quantum's workforce has grown from 39 to more than 60, turnover is running at an annual rate of £4m and, despite the recession, the young company is already trading profitably. "We are growing by the day," says Dr Summers, who is now Quantum's managing director. Recently 3i, Mitel and British Coal Enterprise backed a £200,000 capital increase to support further growth.

Terry Summers: conducting a successful management buyout

Its customers include National Transcommunications, Inmos, the chip manufacturer, Research Machines, *Encrypta, Thermocouple* Instruments and Rediffusion Simulation.

Altogether the company has between 15 and 20 customers who mostly require low to medium volume contract manufacturing using leading edge technology, sophisticated test equipment and advanced computer based manufacturing systems organised on a cellular basis.

Like many other smaller players in the contract manufacturing business Quantum is a niche player, mostly serving customers in the business, industrial and professional sectors. None of its customers manufactures the assemblies which Quantum makes. "We are their manufacturing department," says Summers.

Although Quantum does not design for its customers it does like its project engineers to be involved at the design stage to help ensure that the design is compatible with high quality and low cost automated manufacturing.

It also prefers to buy the components because Dr Summers says this gives Quantum more control over quality and its customers are usually happy because "more and *more they are getting out of* manufacturing".

Production is organised on a *cellular rather than* production line basis and capabilities include conventional hand assembly, automated assembly using plated-through-hole (PTH) components, surface mount technology (SMT), mixed technology and electro-mechanical assemblies.

Most contracts are in the *1,000-3,000 board range with* values of between £500,000 and £1m although Quantum does some high tech, low volume work with contracts valued at as little as £100,000.

Where Dr Summers believes Quantum scores over some of its larger rivals is in being able to provide customers with a highly flexible personalised service using leading edge technology such as SMT "*normally only associated* with bigger companies". It can also handle extremely complex products.

"Quantum's roots in an international electronics corporation gives us a unique insight into the needs of the industry," Dr Summers declares in the company's sales literature.

"Our track record in the application of the most advanced manufacturing techniques will give you the competitive edge you need."

He also believes Quantum's *niche business is more secure* and less risky than that of many of the larger players. He argues, for example, that because volumes are low there is little incentive for customers to consider going offshore with their business. "They need people in the UK," he says.

Paul Taylor

Paul Taylor finds that ever more work is being farmed out

Partnership in an age of technical complexity

Testing a circuit board at Avex: the days are gone when original equipment manufacturers supply all their own needs

THE use of contract manufacturers in the West grew rapidly over the past decade as managements reassessed their corporate strategies.

As a result many companies decided to concentrate on their core activities and turn other functions, including manufacturing, over to specialist contractors.

This reassessment was often prompted by the need to remain competitive in an increasingly global marketplace. It also highlighted other concepts such as total quality management and just-in-time inventory control which contribute to the success of Japanese companies.

Contracting out of manufacturing and assembly is well established in Japan. Recent research at Tokyo University suggests that it now accounts for over a third of Japanese companies' total manufacturing costs and will increase to over 40 per cent by the end of the decade. In the 1980s it was less than 20 per cent.

Most Japanese companies farm out manufacturing in the belief that specialists can offer better quality and efficiency. It may also help them to cut costs, scale down capital spending and concentrate on what they are really good at – market research, product definition, product planning, marketing and sales.

According to a survey by MHM, a market research organisation based in Ayr, Scotland, about 35 per cent of European contract electronics customers had no electronics assembly operations of their own.

There are many reasons why manufacturers use contract manufacturers and cost is not always the principal one. Some studies in the US suggest that managements who use subcontractors principally to cut overheads and jobs end up regretting the decision.

Managements that use subcontractors only to cut costs and jobs often end up by regretting it

Most management consultants argue that contract manufacturing should form part of an overall strategy to improve quality and competitiveness by delivering the right products to market at the right time and the right price.

The basis of total quality theory is to identify, and be responsive to, the customer, produce a top quality product first time, and work to improve quality all the time. A partnership with a contract manufacturer can help achieve these aims.

In any case, within the electronics industry the days are gone when OEMs can do everything themselves in order to retain most of the added value. Already most components are bought in and, since they are now so complex, the bulk of the cost of an assembled printed circuit board (PCB) lies in the components it carries.

As competition in the global electronics industry has grown the competent handling of these components, some of which may cost hundreds of pounds, has become crucial if a company is to maintain its profit margins.

"The diversification of disciplines and expertise in modern electronics is driving companies to reassess their core function and raison d'être for being in the business," says Mr Derek Duffett, director of the Association of Contract Electronics manufacturers (ACeM).

"The 80:20 rule applies to many aspects of business, be it range of products, or range of activities; in other words only 20 per cent of products or activities produce 80 per cent of the profit," he adds.

Today companies, particularly large multinationals, are increasingly aware of the significance of both direct and indirect costs. Contracting out manufacturing frees capital to invest in core activities and enables the management to concentrate on key areas which will help to maintain a competitive edge.

In addition the advent of capital intensive processes such as surface mount technology (SMT) has encouraged many OEMs, particularly those outside the electronics industry, to leave such specialist activity to contract electronics manufacturers.

Electronic controls are replacing older electro-mechanical controls in many areas including automotive design, medical systems and a wide range of consumer goods such as washing machines. However many manufacturers cannot justify the cost of SMT or other automated manufacturing equipment which would stand idle much of the time.

Similarly the use of a contract manufacturer can remove the need to recruit and train expensive specialist staff. The contract manufacturer's employees represent a pool of dedicated technical and production expertise which is available to the customer. Indeed most contract manufacturers now offer a full range of services to their clients including, if required, PCB design, layout, manufacture and testing.

However greater flexibility and speed of response are probably the most important advantage of using contract electronics manufacturers. Most contract manufacturers have the capacity and flexible workforce to start production very quickly to meet an unexpected surge in demand.

A striking characteristic of today's electronics and computer markets is the shortening of product life cycles – in some parts of the computer industry they have shrunk to as little as six months and OEMs need to move quickly from one product and technology to the next.

Contract manufacturing can help to ensure this fast response and lessen the risk associated with manufacturing and holding inventory.

Contractors can also work with a customer to reduce costs during a product life cycle. Other potential advantages include economies of scale in component purchasing and the use of sophisticated computerised automated manufacturing and test sys tems to improve quality and provide "just-in-time" deliveries. Most contract manufacturers have embraced total quality programmes, and obtained certification.

Sometimes there are significant cost advantages to using a contract electronics manufacturer. However, cost comparisons need to be approached carefully. Often the true costs of in-house manufacturing operations are obscured, for example by shared corporate functions. In addition, comparisons between CEMs in different parts of the world can be confusing.

On the basis of labour costs alone contract electronics manufacturers in the Far East continue to have an advantage over their counterparts in Europe and North America. However the gap is narrowing and the use of increasingly automated equipment means that the cost of labour is often relatively insignificant.

Most European CEMs also say that any cost advantage of manufacturing in the Far East can easily be offset by intangible costs such as delays in shipping and loss of design flexibility.

As machines develop, the wages gap between far eastern and western CEMs is narrowing

Indeed a number of PC manufacturers have recently brought manufacturing back from Far East contractors. ICL, for example, stopped buying its systems from Acer, one of Taiwan's biggest OEM suppliers, following a feasibility study by consultants KPMG. The machines are manufactured by ICL at its plant in Ashton-under-Lyne.

ICL also acts as a contract manufacturer in the UK for Sun Microsystems of the US. It says that its decision to bring manufacturing back from the Far East was based partly on increasing volumes and partly because the market was changing.

It found that the benefits of Far Eastern cheap labour were being out-weighed by the disadvantages – higher import duties, reconfiguration on arrival, the logistics of product being at sea for six weeks, arms length quality and technology changes leading to obsolete stock.

Mr Gordon Stewart of consultants Pittiglio Rabin Todd and McGrath argues that the demands placed on contract manufacturers have changed. "Two issues are shaping the future of contract electronics manufacturing: volume flexibility and design integration."

He says that price and quality are a given. "The keys to competitiveness now are responsiveness – lead times, volumes – and the capacity to integrate manufacturing and test processes into an OEM's own product development strategy."

But at an ACeM conference last year he also cautioned that many contract manufacturers fell a long way short of these expectations and only got by because few OEMs could manage a contractor relationship professionally.

Mr Duffett, the ACeM's director, acknowledges that for many managers, who are used to in-house manufacturing using bought-in piece parts, farming out work with independent CEMs represents a significant change of practice, calling for a radically new buyer/supplier relationship.

"The days of arm's length negotiations with choices based solely on lowest price and shortest delivery are over," he says.

From humble beginnings

□ Continued from page 1

success. They are also helped by the increasingly capital intensive nature of the business, which means that labour cost differentials are growing less important.

However, they are handicapped by the prevailing duty and tariff structure which provides a significant incentive to import printed circuit boards or fully built equipment, which are mostly subject to a 4.5 per cent tariff, rather than semiconductors and other components which are generally subject to a 14 per cent tariff. The ACeM has begun to campaign for a more even playing field, arguing that a tariff change could help generate thousands of manufacturing jobs in the UK.

At the same time some CEMs have begun to establish footholds on the continent. The UK CEM market is considerably more developed than most of its European counter parts. The Germany market in particular is expected to grow rapidly and, together with France, is attracting attention.

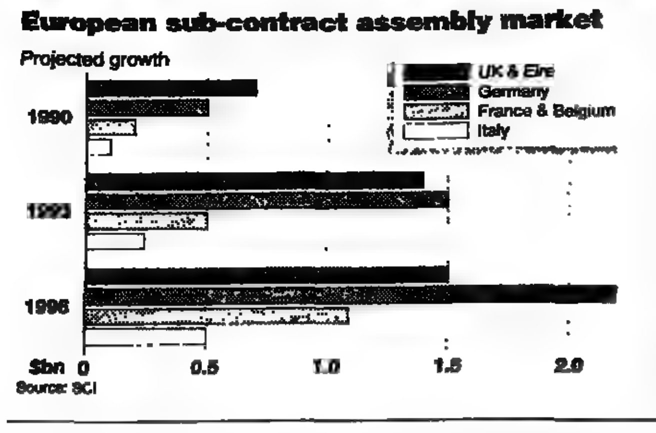
Overall the European CEM market is reckoned to be worth about $6bn – which still leaves OEMs undertaking the vast majority of electronics manufacturing in-house. Despite their growth contract manufacturers have still only captured a fraction of the potential European market.

Arguably, of all the changes in the electronics industry over the past decade, the one that has gone most unnoticed, has been the emergence of quality contract electronics manufacturers. That is now changing.

CONTRACT ELECTRONICS MANUFACTURE 4

East Kilbride employee: part of a global industry

European sub-contract assembly market



Source: SCI

James Buxton takes a drive through Scotland's "Silicon Glen"

Tartan attractions

A LITTLE plant on the shores of Loch Ness that employs just six people is probably the most northerly outpost of Scotland's contract electronics manufacturing industry. Allgood Technology, at Foyers near Inverness, uses surface mount technology to produce high value populated printed circuit boards (PCBs) in low volumes.

It was founded three years ago by Mr Peter Allgood, a digital engineer who took voluntary redundancy from BT at the age of 30 and moved to the Highlands from Birmingham in search of a better quality of life. The company now has turnover of £120,000 and is producing boards for products such as professional audio equipment.

Allgood Technology is at one end of the spectrum of the Scottish electronics industry, which employs 45,000 people, and which in 1991 accounted for 13 per cent of Scotland's employment in manufacturing and 21 per cent of its manufactured output.

The Scottish electronics industry is dominated by multinationals. It has original equipment manufacturers such as International Business Machines, employing 2,200 people making personal computers at Greenock, and Motorola, which produces both semiconductors and mobile telephone equipment at plants in East Kilbride and Easter Inch.

But there is also a large components sector, in which multinationals play the major role. In contract electronic manufacturing (CEM), Scotland has several of the largest operators in the UK – offshoots of Avex, SCI and Philips – and a number of smaller specialist producers. At the less sophisticated end of the electronics industry there are substantial businesses employing many people in assembly and manufacturing.

It is a frequent source of complaint in Scotland that indigenous Scottish-based companies account for a very small part of the industry – only about three per cent in terms of employment – and, according to a 1991 survey by Dr Ivan Turok of Strathclyde university, provide only 12 per cent of material inputs by value. This ignores the fact that most electronics plants in Scotland see themselves as part of a global or EC-wide industry.

Avex, for example, at East Kilbride, works for eight of the world's largest electronics companies (though like most CEM companies it refuses to name them), supplying their plants in Scotland, the EC and the US. It employs about 1,000 people and can design components to order, as well as manufacturing populated PCBs and assemble them into such things as telephones, personal computers and complex medical equipment.

In Dunfermline, Philips Circuit Assembly, part of the Dutch multinational, has a large plant producing populated PCBs for OEMs. About 50 per cent of its output goes to OEM plants in Scotland and about 35 per cent is exported. Mr Cliff Hargess, sales and marketing manager, says it has an advantage over other CEM companies because its surface mount technology line can work to "extra fine pitch," with the space between components being as little as 15,000th of an inch. Philips employs 600 people.

The other major CEM company in Scotland is SCI which has a plant at Irvine which employs about 800 people, increased by taking on several hundred temporary workers at busy times. *(SCI is dealt with in more detail in the article below.)* Another multinational CEM company is Timex Electronics in Dundee, currently rebuilding its workforce after dismissing all its 300 production workers after they refused a new pay and conditions package.

Electronics employs 45,000 people and represents 13 per cent of Scottish manufacturing

But multinationals are not the only key players in the Scottish CEM sector. A significant player is Keltek, part of the UK quoted Graseby group, which is based at Kelso in the Borders. It has been operating for 20 years and occupies a specialised niche in the market.

"We offer a complete service from concept design to turnkey delivery for OEMs," says Mr Bob Wardlaw, marketing director. Keltek does CEM work for companies such as BT, Post Office Counters, BOC, Smiths Industries and British Gas. It has annual sales of about £13m and employs 200 people.

Ms Carol Brannigan of Avex, who plays a leading role in the Association of Contract Electronics Manufacturers (ACeM), argues that Scotland's Silicon Glen, as it is called, has a strong infrastructure of suppliers and human skills. But she would like to see more component manufacturers come to widen the range of products available at short notice.

The picture of the Scottish electronics industry which emerges is one of close cooperation between OEMs and CEMs as well as component suppliers, many of which are only a handful of miles apart.

Avex works closely with Prestwick Holdings, a quoted Scottish manufacturer of raw PCBs. Another important indigenous Scottish company in this field is Exacta at Selkirk.

The trend is for OEMs to subcontract increasing quantities of their work in order to hold down their own overheads and let other companies bear the strain of ramping up and then perhaps running down their labour forces in response to demand. However, there are also signs that OEMs are beginning to use their facilities to do CEM work for others.

Digital, which makes PCs at Ayr, recently began assembling and testing microchips there for test houses and for other manufacturers. In addition it will be using its recently installed £1.7m surface mount technology line to assemble modules for other manufacturers. Its subcontract work to date has so far been worth about £1m.

At the less sophisticated end of production, Scottish-based companies do considerable business in assembling personal computers and other PC components. Mimtec, an electronics manufacturer owned by Murray International Holdings, which is 88 per cent owned by Mr David Murray, one of Scotland's leading entrepreneurs, has for several years been assembling PCs for Scottish-based OEMs such as IBM and Compaq.

Now, to meet the big increase in demand for IBM's PCs since it introduced a new range of products and slashed its prices, Mimtec is expected to build a large, 400,000 square foot plant at Gourock, close to IBM's Greenock facility, for PC assembly, with IBM likely to be involved in financing the £13m project.

In an unusual development the ranks of companies assembling PCs for IBM have been joined by the transport group LEP International, which has for some time handled much of Greenock's distribution and has now started operating a PC assembly line.

Another important player in the Scottish electronics industry is Fullarton Fabrications, a subsidiary of the UK's Laird Group, which employs about 1,400 people in a network of plants at Irvine. Fullarton does sheet-metal work (building boxes for PCs and other computers) and assembles keyboards and other components, some of which are exported to Ireland, Brazil and the US.

■ **Profile:** SCI of Huntsville, Alabama

Creature from outer space

ONE of the fruits of the US National Aeronautics and Space Administration (Nasa) programme in the 1960s was that it spawned a new generation of innovative electronics companies.

One is SCI, founded in Alabama by Olin B King, a former Nasa engineer who began a three-man business manufacturing flight simulators for the moon shots in his basement in 1961.

King realised, however, that there was not much volume in 18 moon shots. So he diversified the company, initially called Space Craft Inc., into building a wide range of electronic systems under contract.

By 1969, when the Apollo launch vehicle left the Kennedy Space centre launch pad, it was carrying more than 400 SCI-built sub-systems providing vital instrumentation, communication and computer functions, including some in the lunar lander.

Eight years later, in August 1977, SCI built the plated-wire memories for the highly successful Voyager 2 spacecraft whose systems were still operating flawlessly more than a decade later.

When the original IBM PC made its appearance in 1981 it came with a SCI-manufactured motherboard. SCI also manufactured the Sinclair-designed Z88 computer.

By the mid 1980s SCI had become a Fortune 500 company in its own right. Today it is one of the biggest and oldest contract electronics manufacturers employing about 9,500 people in 19 manufacturing plants worldwide, and serving mainly multinational customers in North America, Western Europe and South East Asia where it has plants in Singapore and Thailand. Last year, the publicly-quoted group, which is still based at Huntsville, reported net income of $3.83m on revenues of $1.05bn despite the recession.

SCI's major worldwide IT customers in the year to June 30 last year included IBM, Seagate Technology and Conner Peripherals, which together accounted for almost half its total revenues. However, SCI is now a major diversified manufacturer for both the Government and commercial markets. It designs, manufactures, markets and services electronic products for OEM (original equipment manufacturers) customers in many industries including the aerospace, telecommunications, medical and banking sectors.

Its investment in electronics manufacturing technology is enormous. Overall the group, which began to install surface mount technology (SMT) production lines in 1985, had 75 fully automated SMT assembly lines in operation by mid 1992 together with 34 traditional lines using the older PTH (plated-through-hole) technology.

The group is divided into five geographic regions each with multiple plants manufacturing components, sub-assemblies and finished products for customers, but also increasingly offering a full "turnkey" option including design, engineering, purchasing, manufacturing, distribution and support services if required.

The growth of SCI's international operations, including those in Europe, directly reflects the increasing globalisation of the world electronics industry. SCI followed its OEM customers overseas in order to maintain its global manufacturing relationships.

For example, SCI's European region comprises two manufacturing facilities, one in Irvine, Scotland, and the other in Fermoy, County Cork, in the Irish Republic.

Both sites reflect the establishment of significant offshore manufacturing bases by global OEMs over the past decade. In Scotland, SCI followed customers such as IBM, Sun Micro systems and Mitsubishi which needed to establish operations in Europe and were attracted to the region by a range of incentives.

Similarly the Fermoy plant, which employs 300 people, was set up in 1989 to provide electronic assemblies to Irish manufacturing operations of multinational OEMs such as Dell Computer which set up operations in Ireland as part of their global manufacturing strategies.

Bruce Armstrong, head of SCI Europe: closer to the market

"They all want to manufacture close to the market because it gives flexibility," says Mr Bruce Armstrong, SCI senior vice president in charge of the European division.

SCI's size and dispersed operations are a significant advantage when dealing with large multinational OEMs because it can offer customers considerable flexibility. If a customer's market or manufacturing need changes by location or demand, production can be switched to any SCI plant in a matter of days.

For example, a complete new SMT line can be flown in from Huntsville and, says Armstrong, "be up and running within two weeks". Because modern contract manufacturing is capital intensive the cost differential between different regions is not usually significant. "These days the cost is a given, but it is flexibility that counts," when it comes to holding on to customers, he says.

Nevertheless he accepts that the European plants have to be able to match the Far East on the basis of "landed" or total contract price – including those costs which are often overlooked such as transport, inventory and other less tangible items such as delays and inflexibility.

It is a measure of the success at Irvine in controlling overheads and other costs while providing flexibility that it has recently succeeded in winning some contracts back from the Far East.

The 120,000 sq ft Scottish plant was set up in 1984, mainly to supply IBM's Greenock PC operations. Today it employs about 800 people although, like most other large contract electronics manufacturers, SCI also uses a pool of casual labour and the workforce is expanded by several hundred temporary workers at busy times.

Equipment at Irvine includes 12 Fuji SMT lines, each costing about $1m, four Universal PTH lines and three system configuration lines. Currently 80 per cent of output is SMT, 15 per cent PTH and 5 per cent even newer technologies such as COB (chip on board). But by the turn of the century Mr Armstrong expects the proportions to be 75 per cent, 10 per cent and 15 per cent respectively.

The product mix is also changing. Five years ago 90 per cent of production was for the IT industry. However the plant has broadened its customer base. IT now represents about 70 per cent, telecommunications 20 per cent and automotive 10 per cent with telecoms and the automotive sectors growing rapidly.

SCI has also expanded its range of services and increasingly sees itself as being in a beneficial partnership with its customers. Some customers still only require a consignment manufacturing service – they supply all the materials. However, Mr Armstrong says the "more enlightened" OEMs have long since moved towards much broader "turnkey" contracts where services can range from product engineering and design for manufacturing, through procurement, manufacturing and testing to distribution.

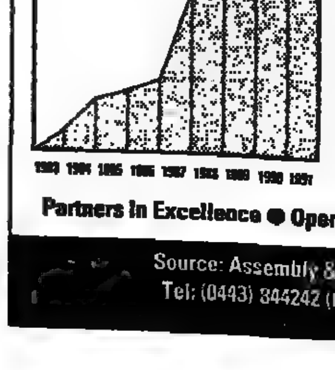
SCI designs and manufactures some products completely. For example, it designs and builds its own PCs, which are then badged by two big computer companies. Mr Armstrong acknowledges that there is some temptation for SCI to widen its business and sell products under its own name. However, he adds, "in the end it's about doing what you are good at". And for SCI that is being expert at capital intensive, high technology, flexible contract manufacturing.

In order to maximise flexibility while minimising costs SCI uses automated manufacturing systems and electronic data interchange (EDI) to provide sophisticated links with its customers and suppliers and to interconnect its own plants.

"The reason we are efficient is that each plant is a profit and loss centre. They have to make a profit," says Mr Armstrong. The two European plants export 50 per cent of their production to continental Europe, and the percentage is rising so SCI is likely to build a new plant in Europe soon, probably in France.

When any of its plants reaches full capacity SCI builds another rather than expanding existing facilities. This is because it believes that overheads increase quickly when a plant becomes too large. "Otherwise you become an OEM," says Mr Armstrong. "In our business small and medium is beautiful."

Paul Taylor



CONTRACT ELECTRONICS MANUFACTURE 5

This Japanese-made machine, at Avex, East Kilbride, places the surface mount on to the circuit board

Paul Taylor keeps abreast of the bewildering changes in technology

A world built on silicon

OVER the past decade the electronics revolution has reached almost all industries enabling the development of a wide range of new consumer and business products and services.

The personal computer, fax machines, satellite television, mobile telephony, medical scanners, compact-disc players, anti-lock brakes and engine management systems for cars are among the many products which have been made possible by recent advances in semiconductor technology.

Even more sophisticated applications will soon emerge, including personal communicators, video-telephones, crash avoidance systems and car navigation aids. The pace of change is accelerating and silicon technology will continue to be the engine of change and innovation.

Higher-speed devices will be integrated and packed closer, in smaller, more complex and reliable packages which cost less. But to turn these basic building blocks into useful products requires very expensive specialist machinery, expert knowledge and the application of the latest computerised techniques.

Many large companies whose core business is not primarily electronics will lack state-of-the-art equipment and expertise to take advantage of these changes.

Others will focus on design and marketing rather than manufacture. In either case the opportunities for the specialist contract electronics manufacturer are substantial.

Perhaps more than any other single factor the growth of contract electronics manufacturing has been fuelled by advances in technology – and by the switch to SMT (surface mount technology) in particular.

From the late 1950s, when transistors and printed circuit boards (PCBs) replaced valves, until the mid-1980s almost all PCBs were assembled using conventional PIH/PTH (pin-in-hole or plated-through-hole) technology.

Individual components are inserted either by hand or automatically into plated holes in the circuit board and molten solder is then forced up through the hole using a "wave" solder machine. When the solder dries it attaches each component to the circuitry on the board.

However, since the mid 1980s, SMT has become increasingly popular. In SMT solder paste – a putty-like mixture of minute solder balls mixed with flux – is screen printed on to circuit terminals or pads on the circuit board. The ICs (integrated circuits) and other miniature components are placed, or "onsetted", on to the solder paste using highly accurate automatic placement equipment. The solder paste is then melted or "reflowed" which creates the joint between the component and the circuit board.

SMT has some significant advantages over the traditional method. These include smaller size, increased automation, lower production costs, better performance and higher reliability. However there are also some disadvantages.

In particular, SMT "pick and place" equipment must be very accurate, requires skilled programming and is costly. A typical automated high volume SMT line costs around £1m, a significant barrier to entry in the contract manufacturing business and an incentive for OEMs to subcontract their electronics manufacturing.

Mr Derek Duffett, director of the Association of Contract electronics Manufacturers (ACeM), recently noted that the advent of SMT had raised the investment level needed to enter the business and was one of the major reasons for the trend towards contract electronics manufacturing.

According to figures from Motorola, the US electronics group, two years ago 70 per cent of the world consumption of integrated circuits was for PTH components. About 20 per cent was of SMT components with the remaining 10 per cent shared by other emerging technologies.

Reflecting the fact that contract electronics manufacturers tend to be at the leading edge of technology, many in the UK already report that SMT output has overtaken traditional PTH, although a lot of boards are hybrids – combining both technologies.

The switch to SMT has often been overstated, but most industry participants believe that by 1995 about half of all components sold will be of the SMT variety, and that by the end of the decade SMT will have emerged as the clearly dominant technology.

Nevertheless by then other new technologies which have been in the development stage for many years will have also reached the market. They are needed because the performance and density requirements of electronics systems will begin to exceed the capabilities of discrete chip packaging, like SMT. To overcome this will require new "interconnection techniques".

The latest new technique, which is already being used in the electronics industry in Japan, the US and occasionally in the UK, is called TAB (tape automated bonding). In this method a lead frame is attached to "bumps" on the edge of the silicon chip in a process known as "inner lead bonding".

The chip and its leads are then sealed or encapsulated in a glue-like substance called "glob-top" and mounted on a reel, similar to a 35mm camera film. These tiny devices can also be placed on to little trays called "slide carriers". The components are then attached to a circuit board using thermo-sonic means or conventional reflow soldering.

Another packaging method called COB (chip on board) is very similar to TAB but no lead frame is used. Instead the tiny silicon chip is placed directly on to the circuit board or "substrate" and then attached using a special "die attach" glue. Individual wires are then bonded to terminals on the chip and connected to the pads on the substrate. The whole assembly is then encapsulated in glob-top.

Both TAB and COB provide greatly improved electrical performance than earlier technologies and allow increased component packing densities on the board – leading either to smaller boards or greater functionality. By the end of the decade they are expected to account for up to one fifth of all component sales.

The latest packaging technology is called MCM (multi chip module). An MCM is made up of several bare silicon chips mounted on the substrate. Then, using COB techniques, the chips or "die" are connected to circuitry much smaller and more carefully routed than those on PCBs. These MCMs provide much higher performance than the same chips mounted conventionally on a circuit board.

In addition to these changing methods of assembly, the printed circuit board itself is also changing. Already TFT (thick-film technology), flexible circuits and three-dimensional substrates have emerged as means to further increase component density.

Using these new technologies requires even more complex factory infrastructure and sophisticated handling techniques. Optical recognition and correction systems on the machines which place the components become more necessary as the space between leads (the pitch) becomes narrower.

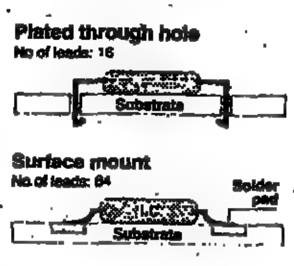
At the same time this places even more stringent demands on manufacturers' processes and quality improvement programmes such as zero defect and statistical process control (SPC), both advanced quality manufacturing techniques increasingly required by customers. This in turn means most manufacturers invest very heavily in sophisticated automatic testing equipment.

In order to achieve the greatest efficiency and flexibility with their equipment many contract manufacturers have installed electronic data exchange (EDI) and computer management systems which often tie into those of their customers and suppliers.

Meanwhile, in order to keep up with the advances in silicon technology manufacturers must update and replace their equipment frequently. This means there is often little time to recover capital costs and considerable pressure to keep the machinery working 24 hours a day. But although speed is an important factor in choosing equipment, manufacturers also stress the need for reliability, capability and flexibility.

Finally, although electronics generally has a good environmental record, electronics manufacturers, including those in the contract industry, are having to focus on environmental issues. For example the use of chloro-fluorocarbons (CFCs) in the cleaning stage of SMT board assembly is being phased out.

Production methods



TERMINOLOGY

- ASIC: Application Specific Integrated Circuit
- COB: Chip on Board
- DIP: Dual in Line Package
- IC: Integrated Circuit
- MCM : Multi Chip Module
- PCB: Printed Circuit Board
- PIH/PTH: Pin-in-Hole/Plated-Through-Hole
- QFP: Quad Flat Pack
- SMT: Surface Mount Technology
- SOIC: Small Outline Integrated Circuit
- TAB: Tape Automated Bonding

COMMODITIES AND AGRICULTURE

Sugar storms to three-year highs

By David Blackwell

WORLD SUGAR prices, already moving ahead on successive reductions in the Thai crop estimate, surged to the highest level for nearly three years yesterday on news that the storms sweeping up the eastern seaboard of the US had hit Cuba.

In New York the May raw sugar contract was up 0.95 at 11.50 cents a lb in late trading, having touched a peak of 11.83 cents earlier. In London the August white sugar contract closed at $297.50 a tonne, up $13 on the day.

However, analysts in London were cautious over the damage to Cuba's crop, which was already expected to be well down on last year's 7m tonnes. Some are talking of 5m tonnes and under, but there is no hard evidence on which to base a judgment.

Talk of damage to sugar mills and dock facilities in Cuba added further fuel to the flames. "The Cubans have a vested interest in allowing people to think it's terrible, " said Mr Chris Pack, analyst at Czarnikow. "But it can't have done any good to have a tremendous storm at the start of the season."

Last week the Thai government revised its production estimate down to 3.51m tonnes – the lowest level for five years. At the beginning of the season production was expected to reach a record 5m tonnes, but drought has damaged the crop.

Chicago wheat rallies

By Laurie Morse in Chicago

CHICAGO WHEAT prices rallied yesterday in response to Friday evening's announcement that the US Department of Agriculture would ship 520,000 tonnes of wheat and 87,000 tonnes of rice to Russia by July under a food aid programme.

The USDA will have to buy the grain from the open market as government stockpiles have been depleted.

Commercial grain shipments have been at a standstill since November, when Russia began to miss interest payments on its US-backed grain loans.

At midsession yesterday old-crop wheat futures prices were up 6 cents per bushel, with wheat for May delivery trading at 329. Prices for delivery later in the summer, during harvest, also rallied, but the advance was smaller.

Analysts said winter wheat plantings in Kansas and the Western plains states were in excellent condition, creating the potential for record yields.

The US wheat donations to Russia had been expected, according to Mr Daniel Basse, a grains analyst for AgResource. However, the quantity was larger than projections. Mr Basse said that while Mr Boris Yeltsin, Russia's president, encountered political setbacks over the weekend, grain traders viewed his dispute with parliamentary hardliners as part of the normal legislative process. "Mr Yeltsin is still president," Mr Basse said, "they didn't ask him to resign".

Nestlé seeks direct milk supply from UK farmers

By David Blackwell

NESTLE, THE UK subsidiary of the Swiss food group, yesterday offered contracts to 8,000 dairy farmers near its factories for direct supplies of milk when the Milk Marketing Board statutory monopoly ends some time next year.

The move follows the announcement last month by Northern Foods of plans to set up the Northern Milk Partnership, a co-operative venture which hopes to recruit more than 5,000 farmers to supply the company with up to 2bn litres of milk a year worth £500m.

Nestlé, which buys nearly 5 per cent of UK milk, aims to attract enough farmers to supply 700m litres a year, worth about £150m, to factories in Ashbourne, Derbyshire; Girvan, Ayrshire; Dalston, Cumbria; and Omagh, Co Tyrone.

The contracts would not require regular renewal, but would guarantee producers a market for three years ahead, while allowing them to sell elsewhere without penalty by giving three months notice.

The Milk Marketing Board, which is reforming itself into a co-operative to be known as Milk Marque, yesterday urged dairy farmers to sign nothing, but to keep their options open. Milk Marque hopes to supply 80 per cent of the UK's £3bn annual milk market, a share some observers believe it will need to cover costs.

French fish and potato protests stepped up

By Alice Rawsthorn in Paris

FRENCH FISHERMEN and potato farmers yesterday stepped up pressure on France's beleaguered socialist government, now only ten days away from parliamentary elections, with fresh outbreaks of unrest throughout the country.

A "commando raid" of Etaples fishermen caused between FFr4m and FFr5m (£490,000-£600,000) of damage in a dawn raid on a fish warehouse at Boulogne-sur-Mer. They set fire to cargoes of imported fish outside the warehouse, then ransacked trailers of fish from Denmark and Ireland.

The mood of France's fishing ports has become increasingly heated in recent weeks as fishermen have escalated their protests against imports of cheap fish. Fishermen's leaders have vowed to continue the dispute until Thursday's meeting of European Community fishing ministers in Brussels.

However, one group of Breton fishermen today plans to stage a "humanitarian and pacifist" protest by delivering six tonnes of fish to a food bank outside Paris to be distributed to the needy through the Salvation Army and other voluntary organisations.

Meanwhile potato farmers continued their battle against EC agricultural reform by staging a tractor demonstration at Quimper yesterday morning during which they blocked the streets with 400 tonnes of potatoes. This followed similar protests in other towns last week.

The government also faces problems at the docks. Some of the largest French trading ports yesterday came to a standstill as dock workers responded to calls for a 24-hour national strike in protest at modernise plans.

Venezuelan oil deal for BP

By Deborah Hargreaves

BRITISH PETROLEUM has agreed with Venezuela's state oil company PDVSA to bring the Pedernales oilfield in the Orinoco delta back into production. The field has been shut since 1985. BP believes it can bring it back into production soon with output rising to 20,000 b/d by 1997.

The agreement marks the first upstream involvement of a foreign oil company in Venezuela since 1976.

Indonesian cocoa thrives as prices languish

William Keeling reports on the one big producer that is still increasing its output

THE WORLD cocoa industry is in a state of crisis, with prices at record lows in real terms. But consumers and producers continue to bicker about a new International Cocoa Organisation (ICCO) withholding scheme to support the market.

Bucking the trend, however, is Indonesia, which remains remarkably bullish about cocoa's prospects. While output from major producers such as Brazil and Malaysia is in decline, the archipelago's output is rising inexorably.

In 1980-81, the country produced just 16,000 tonnes of speciality "fine" cocoa, which by 1983-84 had picked up to 32,000 tonnes and by 1987-88 to 65,000 tonnes as farmers began to plant "bulk" cocoa trees.

Production doubled again by 1990-91 and the current crop year, ending September 30, is forecast at 220,000 tonnes (of which 15,000 tonnes will be fine cocoa) making Indonesia the world's fourth largest producer – behind the Ivory Coast, Ghana and Brazil. Nor has Indonesia's cocoa-boom begun to subside. Traders confidently expect production to exceed 400,000 tonnes a year by the end of the decade, taking Indonesia into second place.

Delegates to the International Cocoa Organisation, which began its council meeting in London yesterday, showed little inclination to return to discussing the cocoa pact only ten days after their Geneva meeting. They decided to leave consultations until later in the week, reports Reuter.

Mr Ibrahim Hasan, chief executive of the Indonesian Cocoa Association (Inca) says the roots of the boom go back to the 1970s when high prices led to interest among smallholder farmers.

Many of the plantation workers in Malaysia's cocoa-producing state of Sabah were Indonesians who smuggled seedlings back when returning home. In addition, the government and private agricultural companies set up seedling nurseries.

This led to a dramatic change in the country's production base. In the 1970s, cocoa production was split between state plantations (90 per cent) and private plantations (10 per cent). State plantations now account for only 25 per cent of the crop, while private plantations provide 15 per cent and smallholder farmers 60 per cent.

High productivity has allowed cocoa to be remunerative for farmers, despite the collapse of international prices. Mr Hasan estimates the yield in Sulawesi, the centre for smallholder production, at about 1.5 tonnes a hectare, five times the level of some West African producing countries. He estimates the yield in north Sumatra at slightly below 1 tonne a hectare.

"Indonesians are a force in cocoa. They're not on the peripheries, which even two years ago they were," explains one London cocoa trader. Other producers and the ICCO, however, have been slow to pick up on Indonesia's sudden importance.

As Mr Hasan observes: "If you look at all the ICCO documents, Indonesia is still classified as a 100 per cent fine cocoa producer". One reason for the ICCO's failure to update records may be that Indonesia has yet to join the organisation, a fact that has significant implications for any future ICCO price support scheme.

"Indonesia is the lowest cost producer and if it's not willing to participate in any withholding scheme, it is that much more difficult to work," one cocoa broker points out.

Brokers estimate a withholding scheme must encompass 80-85 per cent of world production to have any chance of supporting prices. Indonesia already accounts for 10 per cent of world production and is likely to have a 15 per cent share by the end of the decade.

Indonesian producers, however, are reluctant to join the ICCO, for as one official explains: "We are very worried that if we become a member our production programme may be constrained by outside factors".

Indonesian producers are confident that cocoa prices will pick up with or without an ICCO scheme in place as the industry enters a period in which world demand exceeds annual output. They are, therefore, more concerned with structuring the domestic industry to take advantage of higher demand than with the need for international co-operation.

The main thrust of the next five years will be to improve quality, say Inca officials. Indonesian beans have a relatively low fat content and farmers tend to ferment their crop inadequately. As a result, Indonesian cocoa sells at a discount to the world market price.

"We have to be really concerned about quality if we are to fulfil the demand of industry," warns Mr Hakim Warsono, Inca's deputy chairman. The task may not be easy – that Inca has yet to get its own offices is a reminder Indonesia's cocoa industry is still in its infancy.

Inca officials, however, are brimming with confidence. In instances when farmers have mimicked West African fermentation and sun-drying techniques Indonesian beans "get almost a Ghana-style taste profile" and can compete among the world's best, says Mr Hasan.

Avoiding the pitfalls of amenity agriculture

Most successful ideas for diversifying farm enterprises quickly become oversubscribed

FARMER'S VIEWPOINT

By David Richardson

CHARLES BENNETT organises children's parties on his 50-hectare (120-acre) farm between Oxford and Thame. The entertainment includes pony rides, looking at lambs, collecting eggs from nest boxes under the free range hens, treasure hunts around the farmyard and tractor trailer rides around the fields, all culminating with tea in the hay barn.

The children, who are between three and ten years old – "they get too difficult to control after that", says Mr Bennett – love the temporary freedom of the farm and getting dirty. Parents are only too happy to pay him for providing the facility. And incidentally, in case any Food Safety Official begins to worry about Mr Bennett's ability to provide food to the high standards they require, he insists that the parents provide a picnic. All he does is to allow the children to eat it in his barn.

This activity comes under the general heading of diversification, which farmers have been encouraged to explore in recent years as the government has sought to divert resources from the production of food perceived to be in surplus. But the truth is that farmers who enjoy having people around the farm, like Mr Bennett, or who became bored with planting seeds and then waiting long months for harvest, or, even more likely, needed to increase their incomes, have been diversifying for years.

Mr Bennett, for instance, has a long record of holding farm open days on bank holidays and weekends. He also has a farm shop selling produce from the farm at retail rather than wholesale prices. With only 120 acres from which to try to derive a living he needs extra income from alternative sources and I wish him every success with his efforts. But the history of such initiatives is littered with failures.

The classic diversification is farmhouse holidays. Farmers in beautiful scenic areas, which are, almost by definition, the most difficult in which to make a living, long ago realised that they had to earn more cash from somewhere. Some decided to offer bed and breakfast for passing travellers and signs appeared at farm gates in the hills and moorlands of Britain.

Charges were modest and country-loving guests could not believe the value for money compared with hotels. Comfortable beds and slap-up farm breakfasts combined to create a demand for such accommodation and more and more farmers joined the bandwagon. The number of beds increased, the standard of bedroom offered rose, in many cases to include *en suite* bathrooms, the costs of providing the services rocketed and charges had to go up. In many of those areas expensive uprated bedrooms now stand empty for most of the year.

It is a classic case of a good idea that has been overdone and it shows how fragile is the balance between success and failure when diverting resources from the farmer's basic task of producing food to exploiting a niche market, which is necessarily more limited in potential.

Another concept that became popular a few years ago but now seems to have run out of steam is pick-your-own. Fruit-growing is inescapably labour-intensive. You cannot mechanise the picking of strawberries and expect them to be of sufficient quality to grace the tea table (although it is now possible to pick them by machine if they are destined for the jam pot). And getting the quantity and quality of labour when it is needed has become increasingly difficult over the years.

Someone, I don't know who, had the brilliant idea that if you could persuade the public to pick their own you could charge less for it and if they picked sub-standard produce they would only have themselves to blame.

All through the 1970s and early 1980s the idea spread like wildfire across the country. But just like b & b it has been overdone, with too many PYO farms chasing too few customers.

Some PYO farms are still doing well. But many more are closing for lack of punters, who prefer, it appears, to pay inflated supermarkets prices for the convenience of having their produce pre-packed.

I should not pretend, however, that I am immune to the temptation to diversify. Even as I write, the farm men are converting a range of redundant farm buildings into horse stables in the hope that the local riding fraternity will want to pay us money to keep their animals in them. Having seen how easy it is to get it wrong I have no illusions about the dangers. We are therefore controlling the costs of the investment rigidly.

The one certainty about agricultural diversification *is* that it will cost money; but it is by no means certain that it will make money. Even if a feasibility study suggests that there is potential for a farm to divert some of its activity in a certain direction there is little doubt that it will be copied by other farmers and overdone within a few years. Such is the nature of farmers.

Even the Ministry of Agriculture seems to have got that message at last. Five years ago the minister launched a scheme to grant aid for diversification on farms. The money was specifically directed towards feasibility studies and marketing and 1,500 farmers have so far received £8m. There are a further 750 diversifying farmers in the pipeline whose schemes have been approved but who have not yet had the cash.

But a few weeks ago the prospect of more such grants was withdrawn. For the fact is that too many farmers try to diversify from financial weakness rather than strength in the vain hope that it will solve all their problems.

It is said, moreover, that the banks are increasingly warning farmers against such activities because many of the clients from under whom they are now having to pull the rug are the ones who have spent big money on diversification.

WORLD COMMODITIES PRICES

MARKET REPORT

NICKEL prices followed through from Friday's downturn at the London Metal Exchange yesterday. The three months delivery price added $65 to the $17 pre-weekend fall to reach $5,967.50 a tonne following talk early in the day of Chinese selling. The **COPPER** market was in retreat following last week's rally and the three months price closed £11.75 lower at £1,534.50 a tonne. Dealers said the New York-inspired rise ran out of steam as the market's high stocks and poor demand growth rates outside North America reasserted themselves. Japanese selling started the downturn, they added, and as buyers backed off the market became thin. The **GOLD** price moved slightly higher in late afternoon as the market continued to watch Russia for signs of a developing political crisis. At the London bullion market close the price was 90 cents up from Friday at $328.65 a troy ounce. **PLATINUM** was also assisted by the Russian situation and the London price was fixed in the afternoon at $325.25 an ounce, up $1.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$16.15-6.19	-0.09
Brent Blend (dated)	$18.74-8.76	-0.01
Brent Blend (Apr)	$18.74-8.76	+0.04
W.T.I (1 pm est)	$20.18-0.20	-0.02
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$198-200	+2
Gas Oil	$176-178	+0.5
Heavy Fuel Oil	$76-78	
Naphtha	$172-173	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$328.65	+0.9
Silver (per troy oz)♣	364.0c	+1.5
Platinum (per troy oz)	$352.25	+1
Palladium (per troy oz)	$106.65	
Copper (US Producer)	101.0c	+0.5
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.54r	-0.05
Tin (New York)	261.5c	-1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	135.36p	-1.59*
Sheep (live weight)†♣	114.40p	-6.34*
Pigs (live weight)†	90.99p	-0.37*
London daily sugar (raw)	$266.6	+17
London daily sugar (white)	$291.5	+12.5
Tate and Lyle export price	£298.5	+13
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	63.75p	
Rubber (May)♥	64.25p	
Rubber (KL RSS No 1 Feb)	220.0m	
Coconut oil (Philippines)§	$430.0y	+5
Palm Oil (Malaysian)§	$410.0	
Copra (Philippines)§	$265	
Soyabeans (US)	£181.0	-0.5
Cotton "A" index	62.05c	+0.3
Wooltops (64s Super)	358p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May. u-Mar/Apr. x-Aug. w-Feb/Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. * change from a week ago, provisional prices

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
May	255.00	234.00	237.00	233.20
Aug	257.00	240.00	238.80	
Oct	229.00	218.00	217.20	
White	Close	Previous	High/Low	
May	294.50	282.00	301.00	283.00
Aug	295.50	284.50	302.50	285.50
Oct	272.00	263.50	276.40	263.00
Dec	271.00		268.50	267.00

Turnover: Raw 111 (132) lots of 50 tonnes. White 2622 (1405) Paris- White (FFr per tonne): May 1880.80 Aug 1717.85

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Apr	18.70	18.89	18.11	18.66
May	18.74	18.89	19.10	18.70
Jun	18.75	18.92	19.11	18.75
Jul	18.80	18.91	19.10	18.80
Aug	18.80	18.92	19.09	18.80
Sep	18.81	18.89	19.03	18.81
Oct	18.96	18.89	18.97	18.96
IPE Index	18.74	18.85		

Turnover 24107(56853)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Apr	174.25	173.25	176.00	173.50
May	173.00	172.75	175.25	172.75
Jun	172.50	172.25	174.50	172.50
Jul	174.25	173.00	175.00	174.00
Aug	176.75	175.00	176.75	
Sep	178.75	177.00	178.75	
Nov	183.75	181.25	183.75	

Turnover 7,787 (10358) lots of 100 tonnes

TEA

The Tea Broker's Association reports, landed fair demand but at a generally easier rate. Coloury medium East African fannings. Grades were about steady but the remainder lost 4 to 5p, sometimes more, with dusts rather weak throughout. Offshore the market followed a similar pattern with selected medium Kenyas firm, others 2 to 4p down. The highest price realised this week was 184p for a Rwanda pd. Quotations: quality 160p/kg, nom good medium 142p/kg, medium 135p/kg, low medium 105p/kg.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	696	676	684	677
May	710	690	710	692
Jul	723	702	722	704
Sep	735	714	730	717
Dec	755	734	760	735
Mar	774	753	767	756
May	787	767	784	780
Jul	800		794	

Turnover: 3052 (6866) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 12 686.40 (677.34) 10 day average for Mar 15 707.99 (712.90)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Mar	975	967	978	962
May	925	913	925	906
Jul	893	884	899	884
Sep	903	892	905	891
Nov	916	901	914	904
Jan	927	913	917	

Turnover:1963 (1941) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 12: Comp. daily 56.02 (55.10) 15 day average 56.81 (57.03)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	39.5	39.2	39.0	
Apr	93.0	93.0	92.0	

Turnover 13 (112) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	142.00	142.00	142.00

Turnover 25 (20) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Mar	1445	1450	1455	1445
Apr	1438	1435	1445	1438
May	1395	1400	1405	1395
Jul	1245	1245	1250	1245
Oct	1365	1365	1365	
BFI	1442	1428	1442	

Turnover 199 (364)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Mar	141.90	142.50	141.90	
May	143.25	144.10	143.50	143.00
Jun	144.50		144.60	144.25
Nov	111.40	109.00	111.60	111.40
Jan	114.50	114.35	114.50	
Mar	117.00		117.00	
Barley	Close	Previous	High/Low	
Mar	142.00	143.00	142.00	

Turnover: Wheat 148 (140), Barley 10 (42).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Mar	116.0		115.0	
Apr	116.0	115.5	115.0	
Jun	111.5	112.5	111.0	
Jul	106.5		106.5	106.0
Oct	106.0		106.0	

Turnover:15 (12) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 78,132 lots
Cash	1144-45	1151-52	1147.5/1147	1146.5-47		
3 months	1167-68	1173-74	1171/1166	1169-69.5	1167-68	167,154 lots
Copper, Grade A (£ per tonne)						Total daily turnover 70,291 lots
Cash	1508-09	1520.5-21.5	1510.5/1509.5	1509.5-10.5		
3 months	1534-35	1546-46.5	1541/1534	1535-35.5	1534-35	161,640 lots
Lead (£ per tonne)						Total daily turnover 8,699 lots
Cash	278.5-79.5	280-81	279.5/279	279.25-9.50		
3 months	288-88.5	289.5-90	291/290	289-89.5	282.5-83	20,253 lots
Nickel ($ per tonne)						Total daily turnover 7,327 lots
Cash	5895-905	5960-70		5905-10		
3 months	5965-70	6030-35	6020/5950	5980-85	5950-55	40,644 lots
Tin ($ per tonne)						Total daily turnover 2,656 lots
Cash	5635-45	5665-70	5653/5650	5650-52		
3 months	5695-700	5725-30	5710/5695	5705-10	5695-700	5,096 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 21,951 lots
Cash	998.5-99.5	1008-09	997.5/997	996.5-97		
3 months	1017-18	1027-28	1030/1016	1061.5-17	1015-16	71,749 lots

LME Closing £/$ rate:
SPOT: 1.4345 3 months: 1.4281 6 months: 1.4185 9 months: 1.4133

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	328.50-328.80	
Opening	327.70-328.10	
Morning fix	327.90	229.028
Afternoon fix	328.00	228.619
Day's high	328.95-329.25	
Day's low	327.30-327.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.54	6 months	2.42
2 months	2.52	12 months	2.41
3 months	2.48		

Silver fix	p/troy oz	US cts equiv
Spot	252.95	362.50
3 months	256.55	365.25
6 months	259.90	368.25
12 months	266.00	374.45

GOLD COINS	$ price	£ equivalent
Krugerrand	327.50-330.50	226.00-230.00
Maple leaf	338.45-340.65	-
New Sovereign	78.00-81.00	54.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	32	62	3	10
1150	15	44	10	17
1175	5	30	25	28
Copper (Grade A)	Calls		Puts	
2100	75	110	3	18
2150	38	76	15	34
2200	14	50	40	59
Coffee	May	Jul	May	Jul
900	51	48	25	55
950	27	30	52	87
1000	14	19	89	126
Cocoa	May	Jul	May	Jul
725	16	39	31	41
750	9	29	49	56
775	4	22	69	74
Brent Crude	May	Jun	May	Jun
1850		95	26	40
1900	42	59	44	61
1950	24	39		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Mar	328.3	328.0	0	0
Apr	329.6	328.5	330.5	328.6
May	330.4	329.1	0	0
Jun	331.1	329.7	331.8	329.8
Aug	332.4	331.1	333.2	331.4
Oct	333.9	332.5	333.9	333.9
Dec	335.4	334.1	336.0	334.2
Feb	337.0	335.7	337.7	336.4
Apr	338.6	337.3	337.8	337.8

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	353.4	352.3	354.0	351.0
Jul	353.2	351.3	354.0	352.0
Oct	353.2	350.6	352.8	352.0
Jan	352.9	349.1	352.5	352.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Mar	365.4	361.9	366.0	361.0
Apr	366.2	362.7	362.5	362.5
May	367.2	363.7	368.0	362.5
Jul	369.8	366.1	370.0	365.5
Sep	372.1	368.6	371.5	368.0
Dec	375.7	372.2	377.0	371.5
Jan	376.1	372.6	0	0
Mar	379.4	375.9	0	0
May	382.0	378.5	0	0
Jul	384.7	381.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	96.00	97.85	97.15	96.00
Apr	96.30	98.25	97.05	96.25
May	96.70	98.65	98.00	96.60
Jun	97.10	99.00	0	0
Jul	97.45	99.30	98.75	97.40
Aug	97.80	99.60	0	0
Sep	98.15	99.95	99.05	98.50

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Apr	20.18	20.29	20.51	20.12
May	20.32	20.41	20.64	20.27
Jun	20.39	20.47	20.68	20.35
Jul	20.43	20.51	20.71	20.43
Aug	20.46	20.53	20.66	20.44
Sep	20.49	20.53	20.69	20.44
Oct	20.52	20.52	0	0
Nov	20.51	20.51	0	0
Dec	20.42	20.48	20.57	20.40
Jan	20.57	20.46	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Apr	57.70	58.20	58.10	57.60
May	56.85	57.22	58.00	56.65
Jun	56.00	56.28	57.00	55.95
Jul	55.90	56.23	56.70	55.80
Aug	56.40	56.75	57.00	56.40
Sep	58.00	57.70	58.50	57.85
Oct	58.35	58.65	59.50	58.35
Nov	59.60	59.45	59.60	59.00
Dec	60.00	60.25	60.60	60.00
Jan	60.30	60.62	60.50	60.30

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	879	865	879	875
May	893	874	912	882
Jul	915	897	930	907
Sep	938	920	947	930
Dec	973	955	988	971
Mar	1008	990	999	996
May	1030	1012	1024	1024
Jul	1048	1037	0	0
Sep	1070	1055	0	0
Dec	1095	1080	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	62.25	59.50	62.25	62.25
May	63.25	61.70	64.50	61.40
Jul	65.05	63.30	66.00	63.30
Sep	66.75	65.00	67.50	65.25
Dec	69.35	67.45	69.60	67.60
Mar	71.90	69.95	71.90	70.25
May	73.40	71.95	71.95	71.95

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	11.50	10.55	11.83	11.10
Jul	11.56	10.78	11.82	11.54
Oct	10.81	9.81	10.31	10.25
Mar	9.85	9.38	9.86	9.79
May	9.83	9.36	0	0
Jul	9.86	9.39	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
May	64.65	64.75	64.85	64.20
Jul	65.59	65.61	65.77	65.15
Oct	64.45	64.25	64.45	64.15
Dec	63.17	63.20	63.27	62.90
Mar	63.92	63.95	64.00	63.90
May	64.55	64.49	64.60	64.50
Jul	64.95	64.98	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	76.15	74.15	77.00	76.05
May	78.10	74.90	81.00	77.00
Jul	81.20	77.70	81.70	79.60
Sep	83.50	79.90	84.20	82.50
Nov	85.90	82.15	86.20	85.00
Jan	88.25	85.00	89.85	87.50
Mar	89.50	86.00	89.50	89.50
May	89.50	86.00	0	0
Jul	89.50	86.00	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Mar.15	Mar.12	mnth ago	yr ago
1771.8	1762.4	1772.9	1623.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar.12	Mar.11	mnth ago	yr ago
Spot	124.66	124.21	-	118.11
Futures	131.46	130.84	-	122.27

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	579/4	575/4	580/0	574/4
May	580/4	576/6	582/6	576/0
Jul	585/4	581/6	587/4	581/0
Aug	588/2	584/0	589/4	584/4
Sep	589/4	584/6	590/6	586/2
Nov	595/2	591/0	597/0	591/4
Jan	602/4	598/4	603/4	601/0
Mar	611/0	607/0	611/0	611/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	20.80	20.66	20.79	20.58
May	20.76	20.87	21.01	20.75
Jul	20.99	21.12	21.23	20.98
Aug	21.08	21.19	21.32	21.07
Sep	21.17	21.27	21.38	21.17
Oct	21.25	21.30	21.42	21.25
Dec	21.35	21.48	21.68	21.35
Jan	21.41	21.60	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	178.8	176.9	179.9	177.3
May	180.7	178.9	180.9	179.2
Jul	182.4	180.9	182.9	181.2
Aug	183.8	181.9	184.0	182.4
Sep	185.1	183.0	185.2	183.9
Oct	186.0	184.3	186.5	185.0
Dec	189.0	187.0	189.7	187.8
Jan	189.3	187.3	189.3	189.3

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	214/4	213/4	215/0	213/6
May	220/2	219/4	221/4	219/4
Jul	226/6	226/0	227/6	225/6
Sep	232/0	231/4	232/6	231/2
Dec	239/4	239/0	240/2	238/6
Mar	246/2	245/6	246/6	245/6
May	250/0	249/6	250/4	250/0
Dec	247/4	247/4	248/0	247/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	373/4	365/4	373/6	368/4
May	327/6	323/0	331/4	325/4
Jul	303/4	301/4	306/0	303/0
Sep	307/0	305/6	309/6	307/0
Dec	316/4	314/4	318/6	315/4
Mar	320/4	319/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	82.625	82.300	82.700	82.200
Jun	76.625	76.150	76.850	76.100
Aug	72.900	72.200	73.000	72.200
Oct	72.900	72.575	73.150	72.600
Dec	73.100	73.075	73.375	72.975
Feb	72.450	72.375	72.900	72.400
Apr	73.600	73.650	73.750	73.600

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Apr	49.075	47.900	49.400	48.100
Jun	53.900	52.975	54.450	53.050
Jul	51.750	50.525	52.000	50.600
Aug	49.000	48.175	49.400	48.150
Oct	44.575	43.600	45.050	43.600
Dec	45.425	44.650	45.700	44.750
Feb	45.300	44.700	45.750	45.300
Apr	44.400	43.750	44.450	43.875

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	47.975	45.975	47.975	0
May	49.250	47.250	49.250	47.550
Jul	48.875	47.875	48.875	48.100
Aug	48.150	46.150	48.150	46.350
Feb	51.600	50.000	52.000	50.100

Equities firmer ahead of the Budget

By Terry Byland,
UK Stock Market Editor

A TRADING week likely to be dominated by today's Budget speech in the UK parliament, but also by hopes for cuts in interest rates both in Germany and in Britain, made a confident start yesterday. Ex-dividend adjustments in several blue chip shares restrained the day's gain in the FT-SE 100 Index to 6.5; but for these technical factors, the rise would have been twice the reported figure.

Equity strategists expect Mr Norman Lamont, the UK chancellor of the exchequer, to announce some fairly moderate tightening of fiscal policy today, but believe he will avoid any risk of jeopardising the fragile recovery in the UK economy; economic optimism was encouraged by news that UK manufacturing output increased by 0.8 per cent between December and January.

At the same time, a further cut in UK base rates is certainly "on the agenda" and London has become significantly more confident of a reduction in German rates following the recent trimming of the Bundesbank's money market rates.

Early falls in the Footsie reflected the ex-dividend adjustments in such leading names as ICI, Barclays, RTZ and Abbey National. Hardly a sector was immune from these pricing factors and the Footsie dipped 7.2 to within 9 points of the 2,900-mark in early trading.

However, with the March future on the FT-SE 100 Index still positive with only a few days' life left in the contract, shares soon rallied and moved slowly ahead. At best the market was more than 12 Footsie points up, before interest died away towards the close of the final pre-Budget trading session in equities.

The closing reading showed the FT-SE 100 at 2,922.4 for a net gain of 6.5. Seaq trading volume slipped to 578.1m shares from Friday's 769m. But all the signs have been that retail, or genuine investor, business in equities has remained high, reflecting improved confidence in prospects for economic recovery and further interest rate cuts. The FT-SE Mid 250 Index gained 12.5 at 3,112 yesterday, and non-Footsie business made up nearly 72 per cent of the day's total.

On Friday, retail business was worth £1.54bn, bringing a total of £8.78bn for the week. The increased level of retail business has now extended for the past five months and has significantly improved levels of profitability among London-based securities firms.

Underlying confidence in the outlook for interest rates across Europe was reflected in gains in shares in UK property and building and construction companies yesterday. Rises were strongest in UK building groups with interests in Germany. London's hopes of lower rates in Germany were not discouraged yesterday by a repetition of strong anti-inflation views by the president of the Bundesbank.

A further indication of the positive mood underlying the stock market came from bid-related activity, both in the leisure and property sectors. A market raid was mounted on shares of Owners Abroad by Thomas Cook, the German-owned travel agency, ahead of today's closure of the £290m hostile bid by Airtours.

The latest developments in Hong Kong were outweighed for UK investors by profits and an excellent dividend payout by HSBC Holdings.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group	7,400	72	+1½
Abbey National	2,200	372	+½
Albert Fisher	981	71	
Allied - Lyons	1,900	568	+5
Amstrad	11,000	38	+2½
Anglian Water	72	527	-1
Argos	473	295	+9
Argyll Group	1,300	386	+2½
Arjo Wiggins	929	173	+2
Ass. Brit. Foods	239	497	+1
Ass. Brit. Ports	99	397	+½
BAA	419	796	+1
[illegible]			
Brit. Aerospace	1,200	278	+3
British Airways	3,000	298	+3
British Gas	5,800	300	-3½
British Land	1,100	256	+6
British Steel	8,000	90¼	+2
Bunzl	495	190	+1
Burmah Castrol	172	710	
Burton	1,900	76½	+½
Cable & Wire.	2,600	712	-1
Cadbury Schweppes	1,500	465	-2
Calor Group	32	249	+1
Carlton Comms.	413	770	-4
Coats Viyella	2,800	234	+6
Comm. Union	282	607	+1
Cookson	469	190	-1
Courtaulds	2,100	568	-8
Dalgety	177	491	-3
De La Rue	80	870	+6
Dixons	383	230	+1
Eastern Elect.	494	477½	-1½
East Midland Elect.	405	457	-3
Eng China Clays	1,700	456	+5
Enterprise Oil	357	468	+3
Eurotunnel Units	64	480	+8
FKI	780	124	
Fisons	2,200	210	
Foreign & Col. I.T.	604	226	
[illegible]			
Hillsdown	2,000	154	
IMI	3,300	270	+11
ICI	2,400	1227	-11
Inchcape	712	588	+5
Johnson Matthey	20	445	+5
Kingfisher	252	549	
Kwik Save	312	631	-3
Ladbroke	2,500	200	+1
Land Securities	748	601	+5
Laporte	1,300	676	-8
Legal & General	153	476	+5
Lloyds Abbey	1,200	455	-5
Lloyds Bank	1,500	500	-3
LASMO	1,000	181	+1½
London Elect.	288	490	-2
Lonrho	1,100	83	
Lucas	1,800	144	
MB Caradon	212	[illegible]	[illegible]
MEPC	418	[illegible]	[illegible]
Manweb	480	337	+1
Marks & Spencer	2,400	358	+1
Midlands Elect.	138	504	-2
Morrison (Wm.)	846	165	-2
NFC	110	254	+1
NatWest Bank	5,900	438	-12
National Power	741	330	+4½
Next	1,700	182½	+1½
[illegible]			
Rentokil	524	233	+5
Reuters	174	1406	+8
Rolls Royce	2,300	130	+2
Rothmans	351	657	+5
Ryl Bk Scotland	869	254	-3
Royal Insurance	1,300	305	+9
Saatchi	380	183	+1
Sainsbury	1,200	576	+1
Scottish & New.	273	469	+7
Scot. Hydro-Elect.	815	358	-1
Scottish Power	786	245	-2½
Sears	1,000	87	
Sedgwick	573	168	+2
Seeboard	64	513	-2
Severn Trent Water	757	508	-1
Shell Transport	3,000	578	+1½
Siebe	625	492	+3
Slough Ests	532	180	+3
Smith (W.H.) A	1,600	435	+1
Smith & Nephew	2,200	158	+1½
SmKl Beecham	611	467	-2½
SmKl Beecham Uts.	2,100	409	-2
Smiths Inds	45	358	+2
Southern Elect.	615	490	-1
South Wales Elect	140	653	
South West Water	[illegible]	547	+1
South West. Elect.	141	506	+1
[illegible]			
Unilever	2,100	1241	-3
United Biscuits	2,700	383	+5
Utd. Newspapers	381	533	-6
Vodafone	2,000	417	+8
Warburg (SG)	383	602	-4
Wellcome	412	830	+1
Welsh Water	202	587	
Wessex Water	480	627	
Whitbread 'A'	506	482	+12
Williams Hldgs.	604	351	
Willis Corroon	1,400	208	+10½
Wimpey	594	128	+3
Wolseley	809	584	+18
Yorkshire Elect.	38	534	-2
Yorkshire Water	174	570	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Mar 1	Mar 15	Mar 29
Option Declarations:		
Mar 11	Mar 25	Apr 15
Last Dealings:		
Mar 12	Mar 26	Apr 16
Account Day:		
Mar 22	Apr 5	Apr 26

*New time dealings may take place from 8.30am two business days earlier.

Owners raided by Cook

THE BATTLE for control of Owners Abroad, the UK tour operator fighting a hostile £290m bid from its smaller rival, Airtours, took a new twist yesterday as Thomas Cook made an early raid in the market to capture an 8.4 per cent stake in Owners.

The move by Thomas Cook, which is controlled by German travel group LTU, adds further spice to the bid battle which many in the market believe is now too close to call. The Airtours offer closes today at 1pm. Last week, Thomas Cook made a tender offer for 12.5 per cent of Owners at 150p a share conditional on the Airtours bid lapsing.

Dealers suggested that Thomas Cook may have purchased its stake from UBS Phillips & Drew Fund Management, paying 152½p a share for lines of 9m, 2.1m and 1.9m shares. However, leisure specialists said the fact that the institution was considered supportive of the present management meant that the dawn raid changed little in the complex arithmetic over who was likely to win.

But there were also suggestions that Gartmore Investment Management had sold a 1.3 per cent share interest, part of its 7 per cent stake in Owners, to Thomas Cook. It was enough to unsettle some investors, worried that the German move implied a shift in favour of Owners' current owners, who have so far been seen in the market as losing the PR battle to Airtours. Owners closed 9 down at 138p after turnover of 28m. Airtours slipped a penny to 338p.

Crucially, the Thomas Cook stake combined with the holdings of Owners' directors is now more than 10 per cent and will prevent Airtours from going over the 90 per cent required for full control, even if its offer succeeds today. It also sent analysts home speculating over Thomas Cook's strategy in the event of an Airtours victory, with some suggesting that it might attempt to buy some parts of Owners' operations.

HSBC strong

The continuing wrangling over political reforms ahead of the handing over of power in Hong Kong in 1997 caused only a mild ripple of unease in shares of HSBC, holding company for the merged Hongkong and Shanghai Banking and Midland Bank. The bank's shares were among the best performers on the London market after it revealed a much better than expected final dividend.

The Hong Kong market itself came under heavy pressure after Chinese officials attacked British proposals for the Colony, causing a general markdown in London of leading UK groups with significant interests in Hong Kong.

HSBC's profits were slightly disappointing, according to dealers, but the dividend was ahead of the most optimistic forecasts, pitched around the 15.5p to 16p mark.

The shares were tentatively marked up to 609p by dealers wary of the steep retreat on the Hong Kong market. Buyers moved in quickly, however, and drove the shares up to a close of 624p for a net gain of 20. Turnover was a good 7.7m.

Other leading UK stocks heavily influenced by events in Hong Kong performed relatively well. Standard Chartered Bank settled a net 4 higher at 704p ex-dividend, while Cable and Wireless, which derives more than half of its earnings from Hong Kong, settled only a fraction off at 712p, having fallen to 698p at the outset of trading. Inchcape rose 5 to 588p.

US storm damage

The massive damage wrought by what are seen as the worst storms across the east coast of the US this century led to an initial markdown of a UK composite insurance sector buffeted in recent years by a series of natural disasters, capped by last year's Hurricane Andrew.

But the markdown and ensuing selling pressure proved short lived as insurance specialists concentrated instead on the likelihood that the latest disasters would trigger the long awaited upturn in US insurance premiums. The performance of shares in the biggest US insurance groups when Wall Street opened gave credence to London's view that premiums would almost certainly be raised. General Re was up around $2⅝, Marsh & McLennan up 1⅛ and AIG over a point higher shortly after the US market opened.

General Accident, whose US catastrophe reinsurance is triggered if losses rise above $40m, was seen as possibly the worst affected, and the shares settled 8 lower at 589p. Royal, with a reinsurance trigger level of $25m, rallied sharply to close 9 higher at 305p after an early retreat to 283p. Commercial Union, with a reinsurance mark of $15m, managed a minor rise at 607p. Sun Alliance, with negligible exposure to the US, rose 11 to 350p.

Industrial group IMI, which reported a decline in profit figures, moved sharply forward with the market cheered by the held dividend. The shares gained 11 to 270p, in trade of 3.3m. In spite of an upbeat analysts meeting, many remained sceptical about the prospects for the current year and several moved to downgrade current year profit expectations. These included Mr Sandy Morris at NatWest Securities who trimmed his 1993 estimate by £1.5m to £71.5m. He blamed the cut on the continued weakness in the rest of Europe where the company derives around 37 per cent of operating profits and IMI's moderate exposure to the recovering US economy.

The signing of a joint venture agreement for cigarette production in the Ukraine led to positive sentiment in BAT and the shares put on 8 to 956p. Transfer Technology continued to be the subject of strong demand, following the recent favourable figures. The shares gained another 33 to 558p. Vague hints of a a sell recommendation for Gestetner left the shares 12 lighter at 118p.

English China Clays put on 5 to after reporting a maintained dividend.

Among transport stocks, British Airways put on 3 to 298p, ahead of confirmation that its $300m investment into USAir have been cleared by the Us Government. Volume by the close 3m.

Bid talk returned to a generally positive property sector, with Hammerson once again the name touted as a possible target. However, one dealer suggested that a stock shortage in one type of the group's shares had triggered buying in the other as the two had moved apart, inflating the rise. At the close, the ordinary's had jumped 21 to 387p and the A's 26 to 361p.

The building materials sector, among the market's worst performing areas last week, staged a good rally amid hopes of a cut in German interest rates. Wolseley jumped 17 to 583p, RMC 12 to 588p and Redland 10 to 455p.

Second line store issues did some catching up after Friday's strong session for the leaders. T&S Stores rose 5 to 164p, Amber Day 6 to 62p and Body Shop 6 to 190p. The decision by Argus to close its loss-making Chesterman furniture stores lifted the stock 9 to 295p.

There was renewed bid talk around Geest and the shares jumped a further 12 to 480p. A US food group is rumoured to be on the prowl.

Weekend press comment benefited Perkins Foods, up 7 at 113p, and United Biscuits, ahead 5 at 383p.

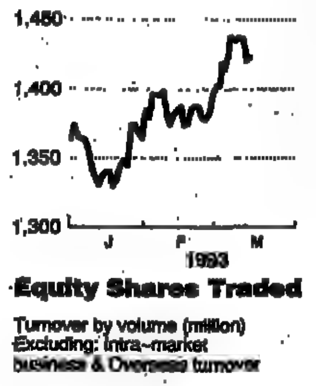
A buy note from Paribas on Queens Moat Houses helped the shares advance 4 to 49p in turnover of 5.6m. The French-owned broker believes recent weakness to be overdone and that the stock is poised for recovery. Two small but loss-making leisure stocks, European Leisure and Whitegate Leisure, both moved back into the black. The former jumped 1¼ to 5¼p, the latter 5 to 27p.

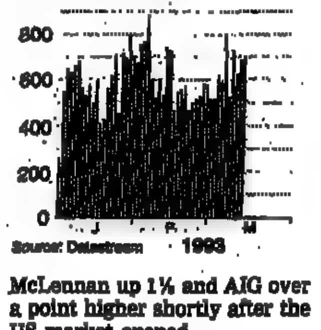
The recent strong of big daily turnovers in Amstrad continued with 11m traded yesterday as the shares jumped 2¼ more to 38p - their highest level since June last year. This week sees the expected launch of the company's latest new product, a "personal digital assistant" computer.

Delta rose 9 to 444p, following the maintained dividend while GEC rallied after last week's slide and settled 6¼ ahead at 300p; Phillips & Drew Fund Management said it no longer had a notifiable interest in the shares. Shareholdings in excess of 3 per cent have to be made public according to Stock Exchange rules.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 35





NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (80).
BRITISH FUNDS (1) Treas 6¾pc '95-98, OTHER FIXED INTEREST (2) LCC 3pc '20 Aft, N'wide Anglia 3⅞pc IL 2021, AMERICANS (3) [illegible], American Express, Merrill Lynch, CANADIANS (2) Can Pac 4pc Deb, Hudson's Bay, BANKS (2) Bank of Ireland, Bank of Scotland 9¼pc Pf, BREWERS (1) Wetherspoon (JD), BLDG MATLS (1) Lilleshall 9pc Prf, BUSINESS SERVS (3) ADT, British Data Mgmt, Serco, CONTG & CONSTRCN (1) Cussins, ELECTRICALS (2) Critchley, Motorola, ELECTRONICS (8) Bowthorpe, Ferranti Intl, Gresham Telecomputing, Hoskyns, Kode Intl, Linx, Peek, Sage, ENG GEN (6) Clayhithe, Concentric, Fairey, Metalrax, Ransomes 8.25p Pf, Transfer Technology, FOOD MANUF (1) Borthwicks, FOOD RETAILING (1) Geest, HOTELS & LEIS (3) Compass, Owners Abroad 9.75p Pf, Whitegate Leisure, INSCE COMPOSITE (1) Domestic & General, INSCE LIFE (2) Britannic, Utd Friendly B, INV TRUSTS (12) EFM Japan, Do Wts, Fleming Enterprise, Fleming Japanese, Do Wts, Latin Amer Extra Yield, Mid Wynd, Multitrust, Murray Inc B, New Frontiers 6½pc Ln 2010, Nth Amer Gas, Pacific Assets Wts, MEDIA (3) Abbott Mead Vickers, LWT Cv Pf, Walmoughs, MERCHANT BANKS (1) Schroders, MTL & MTL FORMING (1) British Steel, MISC (2) Alumasc, Great Southern, OIL & GAS (1) Hardy, OTHER FINCL (2) Burlington, Cater Allen, OTHER INDLS (2) BTR Wts, Do 1992/93, PACKG, PAPER & PRINTG (2) Low & Bonar, Macfarlane, PROP (4) Frogmore Estates, Gt Portland Ests 9½pc 2002, Property Security, St Modwen Props, STORES (3) Great Universal, Marks & Spencer, Next, TEXTS (5) Claremont Garments, Coats Viyella, Leeds, Martin Ind, Parkland A, TRANSPORT (2) Manchester Ship Canal, Powell Duffryn, WATER (1) Mid Kent, MINES (2) Caledonia, Sons of Gwalia.
NEW LOWS (5).
BUSINESS SERVS (1) Reed Exec, HOTELS & LEIS (1) Eurocamp, PACKG, PAPER & PRINTG (1) Interaurope Tech, PROP (1) Rowlinson, STORES (1) Dunhill.

FINANCIAL TIMES EQUITY INDICES

	Mar 15	Mar 12	Mar 11	Mar 10	Mar 9	Year ago	High	Low
Ordinary share	2269.8	2268.0	2294.5	2299.5	2294.0	1930.9	2299.5	[illegible]
Ord. div. yield	4.32	4.30	4.26	4.24	4.25	4.84	5.34	4.23
Earning yld % full	6.07	6.05	5.99	5.96	5.94	6.61	-	-
P/E ratio net	20.52	20.59	20.80	20.90	21.04	19.17	22.01	15.79
P/E ratio nil	18.97	19.03	19.23	19.32	19.39	18.18	-	-
Gold Mines	98.0	97.6	95.8	94.4	95.0	118.3	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2260.3	2267.6	2274.0	2269.7	2269.2	2267.7	2264.4	2265.9	2270.1	2274.1	2259.8

Volume	Mar 15	Mar 12	Mar 11	Mar 10	Mar 9	Year ago
SEAQ Bargains	38,937	45,356	[illegible]	40,321	44,492	26,511
Equity Turnover(£m)†	-	1541.7	1653.8	1606.2	[illegible]	678.7
Equity Bargains†	-	51,706	48,184	46,533	50,390	29,515
Shares traded (ml)†	-	701.5	686.6	627.7	734.2	317.1

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THE DERIVATIVES sector once again experienced an uneventful session as dealers waited for the outcome of today's Budget speech from the UK chancellor, writes Joel Kibazo.

In futures, the first trade in the March contract on the FT-SE 100 Index, now in its last week of trading, was struck at 2,924, some 4 points above last Friday's close.

Early buying saw it rise to the day's peak of 2,935 at around 10am, after which the contract drifted lower with little follow-through buying. General profit-taking saw it fall back to 2,925 over the lunchtime period.

The low of the session at 2,915 was seen just before the opening of Wall Street, after which March crawled forward on bargain hunting and the firmness in New York.

It closed at 2,921, a slight discount to the underlying cash market. Dealers said the day's turnover of around 10,000 contracts in March was due to rolling forward into the June contract. It saw volume of 5,556 lots.

Traded options were also dull and saw volume of 26,281 by the close of business. Trading in the FT-SE 100 option was very poor indeed, reaching only 3,907 lots, while the Euro FT-SE 100 option had business of 1,037 contracts.

Amstrad led the way among stock options, trading 1,788 contracts with the September 35 puts the busiest series, followed by British Gas at 1,507.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2922.4 +6.5	3112.0 +12.5	1424.95 +3.61

	Mar 15	Day's change %	Mar 12	Mar 11	Mar 10	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2922.4	+0.2	2915.9	2953.4	2958.7	2470.7	6.20	4.14	20.64	19.96
FT-SE Mid 250	3112.0	+0.4	3099.5	3121.8	3117.8	2451.8	6.63	4.07	19.07	12.67
FT-SE-A 350	1442.9	+0.3	1438.1	1455.8	1456.7	1201.9	6.29	4.12	20.28	8.99
FT-SE SmallCap	1561.21	-0.1	1562.01	1567.78	1565.07	-	5.21	4.09	26.77	7.33
FT-SE SmallCap ex Inv Trusts	1569.10	-	1569.12	1572.72	1569.01	-	5.79	4.33	24.74	6.80
FT-A ALL-SHARE	1424.95	+0.3	1421.34	1437.25	1438.12	1189.05	6.23	4.12	20.58	8.75
1 CAPITAL GOODS(211)	951.78	+0.5	946.83	952.57	949.44	791.43	5.85	4.44	22.38	6.70
2 Building Materials(27)	966.72	+2.3	944.64	942.27	958.45	947.43	5.36	5.47	25.82	1.15
3 Contracting, Construction(29)	807.09	—	806.94	810.33	813.87	876.33	2.98	5.96	80.00†	3.51
4 Electricals(14)	2719.10	+0.7	2699.05	2738.59	2742.99	2454.44	5.37	5.34	24.52	4.67
5 Electronics(35)	2579.41	+1.4	2543.13	2580.68	2561.81	1812.99	6.18	3.31	20.47	15.46
6 Engineering-Aerospace(7)	358.00	+0.9	354.91	360.99	359.31	338.37	9.88	4.26	12.89	1.03
7 Engineering-General(52)	567.22	+0.6	563.82	566.30	564.01	494.77	6.97	4.18	18.35	2.92
8 Metals & Metal Forming(11)	390.97	+1.4	385.67	387.31	386.84	329.17	4.44	3.36	32.74	0.55
[illegible]										

Hourly movements: [illegible]

FT-SE Actuaries 350 Industry Baskets: [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1992/93 high	low	Yield Int.
"Shorts" (Lives up to Five Years)					
Treas 10pc 1993‡‡	100¼xd	—	101⅛	99⅛	9.98
12½pc 1993‡‡	102⅞	—	104⅞	100⅛	12.22
Funding 6pc 1993‡‡	100⅞	—	100¼	95⅞	6.00
Treas 13¾pc 1993‡‡	[illegible]	—	107⅝	103⅞	13.93
8½pc 1994	[illegible]	—	[illegible]	[illegible]	8.29
14½pc 1994‡‡	109½	-⅛	110⅝	104⅜	13.38
Exch 13½pc 1994	108⅝	-⅛	110⅞	103⅞	12.44
Treas. 10pc Ln. 1994‡‡	105⅛	—	105⅞	98⅞	9.50
Exch 12½pc 1994	109½	-⅛	110⅛	103⅞	11.42
Treas 9pc 1994‡‡	105⅜	—	106⅜	98⅝	8.94
12pc 1995	111¼	+⅛	111⅞	102⅞	10.90
Exch 3pc Gas 90-95	96½	—	[illegible]	[illegible]	3.11
10¼pc 1995	109⅝	—	109⅞	99⅛	9.34
Treas 12¾pc 1995‡‡	116⅜	—	116⅞	106¼	10.92
14pc 1996	120⅛	+⅛	120⅝	109⅞	11.63
15¼pc 1996‡‡	125⅛	+⅛	125⅝	113⅜	12.17
Exch 13¼pc 1996‡‡	118⅜	—	119⅛	108	11.08
Conversion 10pc 1996	111½	—	111½	99⅝	8.97
Treas 13¼pc 1997‡‡	122⅜	—	122⅞	109⅜	10.82
Exch 10½pc 1997	113⅝	—	113⅝	100⅜	9.24
Treas 8¾pc 1997‡‡	105⅝	—	106⅜	94	8.08
Exch 15pc 1997	132⅛	—	132⅜	117⅜	11.35
9¾pc 1998	112⅝	—	112⅝	97⅝	8.68
Five to Fifteen Years					
Treas 7¼pc 1998	100¼xd	—	100¼	90⅞	7.14
Treas 6¾pc 1995-98‡‡	101	+⅛	101	88⅞	6.86
15½pc '98‡‡	138⅞xd	-⅛	138⅞	123⅞	11.29
Exch 12pc 1998	122⅛	-⅛	122⅛	107⅜	9.81
Treas 9½pc 1999‡‡	112⅜	-⅛	112½	97⅜	8.49
Exch 12¼pc 1999	124⅜xd	-⅛	124⅜	[illegible]	9.86
Treas 10½pc 1999	117¼	-⅛	117⅜	101⅜	8.96
Conversion 10¼pc 1999	116⅜	+⅛	117⅜	100⅜	8.79
9pc 2000‡‡	110⅝	+⅛	110⅞	94⅝	8.14
Treas 13pc 2000	130⅜	+⅛	131	114⅜	9.94
10pc 2001	115⅛	+⅛	115⅛	99⅜	8.68
14pc '98-1	129⅛	+⅛	129½	115⅜	10.83
9¾pc 2002	114¼	+⅛	114⅜	98⅜	8.51
8pc 2003 (£50 pd)	52⅜	+⅛	52⅜	48⅜	7.72
[illegible]					

OTHER FIXED INTEREST

[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		16⅞xd	+⅛	21¼	14⅝	15,535	2.5
Allegheny & W	♥	555p	+6	558p	225p	280.5	3.7
Amdahl		550p	+9	1165p	436p	627.8	1.2
Amer Cyanamid		35¼	–⅛	38⅝	28⅞	3,223	3.2
Amer Express		19½xd	+⅛	19½	10⅞	8,321	3.6
Amer T & T		39⅞xd	–½	40⅝	30⅛	53,089	2.3
Ameritech		50⅞	–¼	52¼	32½	22,274	5.0
BankAmerica		37½xd	–⅛	38⅛	19⅞	12,820	2.6
Bankers NY		60⅞xd	–⅛	61⅞	39⅞	4,849	4.3
Bell Atlantic		36⅝	–¼	38⅛	29¼	15,855	4.9
BellSouth		37½	–½	38⅝	28	18,511	5.1
Bethlehem Steel	♥	12⅞xd	–¼	13¼	5¼	1,138	–
Bowater		1676pxd	+17	1682p	905p	607.3	1.6
CPC	b	34xd	+⅛	34⅝	22⅞	6,149	2.4
Cadiz Land Inc	♥	115p	—	342p	108p	–	–
California Engy		1436p	—	1436p	591p	281.3	–
Chase Manhattan		24⅛xd	–⅛	24½	9¼	3,745	3.4
Chrysler		28⅛xd	–⅛	28⅝	8¼	7,838	1.5
Citicorp		19⅞xd	–⅛	20⅛	5⅞	7,242	–
Colgate–Palm		45½xd	–⅛	45⅝	25¼	7,204	1.9
Conr'l Bank		1765p	–12	1798p	499p	1,787	2.3
Dana		32½xd	–⅛	34⅛	14⅞	1,480	3.4
Data General		654p	–8	1004p	384p	257.7	–
Decora Inds	♥	148p	—	148p	65p	–	–
Dun & Brad		41⅞	–½	42⅝	27⅞	7,460	3.7
Eaton		59	–⅛	59⅝	32½	2,040	2.6
Echlin		17⅛xd	–⅛	18⅝	7⅞	895.6	2.8
FPL		26⅝xd	–⅛	27⅞	17⅞	4,937	6.4
Ford Motor		33⅝	–⅛	35⅞	15	16,412	2.0
Gen Elect		60⅛xd	–⅛	61¼	38¼	51,562	2.9
General Host	♥	662p	—	723p	360p	–	3.7
Gillette		42½xd	–⅛	42⅝	23⅞	9,339	1.2
Hasbro		20⅞	—	23½	12⅞	1,815	0.8
Honeywell		22½xd	–⅛	24⅛	16	3,083	2.7
Houston Inds		32½	–⅛	33¼	22	4,209	6.4
IBM		38⅝xd	+⅛	54½	29⅝	22,038	3.8
Ingersoll–Rand		22⅞xd	–⅛	25	12⅞	2,395	2.1
Lockheed		42⅞	+⅛	42½	22⅞	2,809	3.4

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	178.0	171.9	180.9		(a)0.00
AIB Grofund Equity	5	208.0	210.7	225.0		(a)3.40
AIB Grofund Euro	5	165.5	166.2	176.8		(a)0.95
AIB Grofund Ext Extend	3	104.0	106.2	109.5		2.70
AIB Grofund Gilt	3	78.27	78.43	80.85		[illegible]
AIB Grofund Japan	5	141.2	142.8	150.4		(a)0.00

AXA Equity & Law Unit Tst Mngrs (1200)H

Abbey Unit Tst Mngrs (1000)H

Britannia Life Unit Managers Ltd (1200)F

Brown Shipley & Co Ltd (1000)F

Brycourt Unit Tst Mgmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (0930)H

Burrage Unit Tst Mangmt Ltd (0905)F

CIS Unit Managers Ltd (1000)F

Canada Life Unit Tst Mngrs Ltd (1200)F

Co-op Pension Fds UT Mgrs Ltd (1000)F

Crown Unit Tst Services Ltd (1200)F

Dimensional Tst Mngmt Ltd (0900)F

Gartmore Fund Managers (1200)F

INVESCO MIM UT Mngrs Ltd -Contd.

MGM Unit Managers Ltd (1000)F

MW Investment Managers Ltd (0645)F

Maldon Unit Trust Managers Ltd (1400)F

Manulife Management Ltd (1200)F

NM Unit Trust Mngrs -Contd.

N&P Unit Trust Management Ltd (1200)F

Reliance Unit Mgrs. Ltd (1000)H

Rock Asset Mgmt (Unit Trust) Ltd (0900)F

Rothschild Fund Management (1000)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The minimum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

The Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing. 0277 261010						
AES European	5	109 50	110 20	116.00	-0.40	1.39
AES Intl Bond & Curr	5	127 70	128.10	134 80	-0.20	5.47
AES Pndt Pension	7	156.6	160 6	171.9		–
AES Smaller Cos	5	61.44	63.36	66 69	-0.02	1 90
AES UK General	5	118 60	120 50	126 80	....	2.72
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	390.71	390.71	415 65	+0.18	4.98
Global Inc	5	58 17	58.17	61 88	-0.04	3.94
Brit Leaders	5	321.69	321.69	342.22	+0 81	2.99
Intl Leaders	5	192.95	192.95	205.26	-1 46	1.60
[illegible]	3½	53.78	55 02	57 16	-0.29	2.97
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	53 54	53 66	57 08	-0.26	2.32
Far Eastern Tst	6	55 78	56 70	60.31	-0.86	0 88
Smaller Cos	5	142.2	146 9	156.2	+4 7	1.86
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W [illegible]	5	284 0	284 7	301 2	-1.40	0 72
S & W [illegible]	5	117 4	117 4	125 7	-1.50	1 87
S & W Cash	0	102 71	102.71	102 71	+0.02	5 65
S & W European	5	116.5	116 6	123.3	-1.40	1 56
S & W Far Eastern	5	124 7	125 9	133 2	-0.50	0 00
S & W Growth	5	124 1	125 5	132 7	-2.20	1 67
S & W Income	5	111.9	113 1	119 6	-1.00	4 83
S & W Magnum	5	124.1	124 1	133 0	-1.50	1 75
S & W Smllr Secs	5	305 7	312 1	330 2	-0 20	0 65
S & W Thoroughbred	5	143 8	143 8	154 0	-2.00	1 76
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029						
American Grth	5¼	86.05	86 05	92.03	(u)	0
Eur Sp Sits Acc	5¼	46.35	46.35	49.44	(u)	0
Eur Sp Sits Inc	5¼	43 77	43 77	46 69	(u)	0
Far East Opps Inc	5¼	30.10	30 10	32 45	(u)	0
Far East Opps Acc	5¼	30 93	30 93	33 34	(u)	0
General Growth	5¼	98.31	98.31	105.30	(u)	2.36
General Growth Acc	5¼	100 80	100 80	107 90	(u)	2.36
Global Tech	5¼	121 00	121.00	130 80	(u)	
Income Growth	5¼	98.84	98.84	106 20	(u)	3.89
Income Growth Acc	5¼	100 70	100 70	108.20		3 92
Income Monthly	5¼	56.76	56 76	60.70	(u)	5.19

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	95 39	95.39	97 61	+0.07	0 00
Short Dtd Gilt	1¼	110 7	110.7	112.2	+0.20	3.50
U S Govmt Bond	1¼	$0.7107	0 7107	0 7200	+0.005	0.00
Gilt Income	4	53 39	53 39	55.56	+0.15	8.00
Gilt Growth	4	66.64	66 64	69.36	+0.18	0 00
City Reserve	0	52 33	52.33	52.33	+0.01	5.83
Woolwich Unit Trust Managers Ltd (1700)H						
2 White Oak Square, Swanley BR8 7AG 081 2984000						
Stockmarket Fd F	5	66 46	66 71	70.96	+0 34	2 18

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Inc'l Expt Mar 3	658.2	680.1		1 02
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1650 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	54 16	56.18	....	5.0
Income Plus	51.29	52.36	....	7.4
James Capel Fund Managers Ltd				
European Exempt	£111.99	113.23	-0.125	2.95
Japanese Exempt	£119.499	121.494	-0.813	–
Managed Exempt	£131.429	138.024	-0.229	3 02
North American Exempt	£106.959	108.722	-1.032	1.10
Pacific Exempt	£112.569	114.988	-3 609	2.94
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Feb 28	604 15	609.40		4 74
Fxd Int Sec Feb 28	155 70	156.45	....	9 27
Deposit Fund: See Money Market Trust Funds.				
Charities/Charishares (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	178 2	180.3	+0.40	9.20

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Adventurous Mngd	170.9	181.9	(z)	–
Balanced Grwth Mngd	693.0	737.3	(z)	–
Cautious Mngd	131.6	140.1	(z)	–
Cash Fd	318.8	336.0	(z)	–
Property Fund	217.1	231.0	(z)	–
Gilt Fund 20	454.1	483.1	(z)	–
Equity Fund	802.0	853.2	(z)	–
Fxd. Int. Fund	425.7	448.6	(z)	–
International	357.6	380.5	(z)	–
High Income	621.4	661.1	(z)	–
Technology	476.2	506.7	(z)	–
North American	494.1	525.7	(z)	–
Far East	473.1	503.4	(z)	–
Special Sits	563.5	599.5	(z)	–
Extra Inc Fd	333.0	354.3	(z)	–
American Income	197.2	209.8	(z)	–
Convertible & Gilt Fd	162.8	173.2	(z)	–
European Fund	128.8	137.1	(z)	–
Pref & Fixed Int	116.2	123.7	(z)	–
UK Blue Chip	120.4	126.9	(z)	–
Recovery Fund	120.9	127.4	(z)	–
Equity Income Dist	111.9	119.1	(z)	5.08
Managed Dist	105.9	112.7	(z)	5.77
High Yield Dist	106.1	111.9	(z)	7.60
Pension Funds				
Adventurous Mgd Pens Acc	182.4	192.1	(z)	–
Balncd Gth Mgd Pens Acc	818.5	861.6	(z)	–
Cautious Mngd Pens Acc	153.0	161.1	(z)	–
Building Soc. Acc.	368.3	387.7	(z)	–
Property Pens. Acc.	296.4	312.0	(z)	–
Fix. Int. Pens. Acc.	677.9	713.6	(z)	–
Equity Pens. Acc.	1054.8	1110.4	(z)	–
International Pens Acc	337.0	354.8	(z)	–
High Inc Pens Acc	704.0	741.1	(z)	–
Tech Pens Acc	338.6	356.5	(z)	–
N American Pens Acc	383.5	403.7	(z)	–
Far Eastern Pens Acc	484.5	510.0	(z)	–
Special Sits Pens Acc	467.2	491.8	(z)	–
Extra Income Pens Fd	411.1	432.8	(z)	–
American Inc Pens	230.6	242.8	(z)	–
Convertible & Gilt Pen	198.9	209.4	(z)	–
European Pens	144.7	152.4	(z)	–
Managed Cash Pens	173.4	182.6	(z)	–
Pref & Fixed Pens	135.4	142.6	(z)	–
UK Blue Chip	128.6	135.4	(z)	–
Recovery Fund	131.1	138.0	(z)	–
Unitized With Profits Pens	109.9	115.7	(z)	–
Other Funds				
B&B Select Mngd	111.6	117.5	(z)	–
IAS Managed	117.1	123.3	-0.7	–
Capital Income & Growth	122.9	129.4	-0.6	–
FTC Prosperity	157.5	165.8	-1.5	–
IAS Pension Managed	140.5	147.9	-1.0	–
Cap Retirement P'folio	145.6	153.3	-1.0	–
JNJ Managed Pension	134.9	142.1	+0.4	–
[illegible]	114.6	120.7	-0.5	–
Map Balanced Asset	112.9	118.9	-0.5	–
[illegible]	103.7	109.2	-1.0	–
Pembroke Inv	102.6	108.1	[illegible]	–
[illegible]	109.8	115.6	-0.7	–
SVM Superior Growth	155.3	163.5	-1.8	–
K&J Bower Managed Pens	112.1	118.0	-0.6	–
[illegible]	109.8	115.6	-0.5	–
Margett Growth	125.4	132.1	-0.2	–
Margett Income	127.6	134.4	-0.2	–
Margett Pension	136.3	143.5	-0.3	–
[illegible]	105.8	111.4	-0.4	–

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or −	Yield Gross
Initial Equity	166.0	175.0	–	–
Accum Equity	253.0	266.5	–	–
Accum Managed	265.0	279.5	–	–
Accum Five Star	192.5	203.5	–	–
Accum World	144.0	152.5	–	–
Accum Emerg Mkts	231.5	244.0	-3.0	–
Pens Acc Equity	[illegible]	297.5	+0.5	–
Pens Acc Managed	348.0	367.0	-1.0	–
Pens Acc Emerg Mkts	275.5	290.5	-4.5	–
Pens Acc Deposit	232.5	245.5	–	–
Pens Acc Five Star	215.5	227.5	-0.5	–

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity Acc	268.4	283.2	-0.4	–
[illegible]				

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or −	Yield Gross
Deposit Acc Fd	169.6	178.5	+0.1	–
Equity Acc Fd	416.1	438.0	+0.3	–
Managed Acc Fd	368.6	388.1	–	–
Prop Fd (1st Issue)	–	667.2	–	–
Prop Acc Fd (2nd Iss)	126.6	133.2	–	–
Unit Trust Mn. Fd	182.7	192.3	–	–
RL Pension Funds				
Deposit Acc	247.1	260.1	+0.2	–
Equity Acc	314.3	330.9	+0.3	–
Fixed Int Acc	255.8	269.2	–	–
Gilt Indx Lnk Acc	192.8	202.9	–	–
Managed Acc	416.2	438.1	–	–

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041 307 4500

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
[illegible]	97.50	102.7	-0.50	–
JRA/M&G Managed	121.2	127.6	-0.50	–
[illegible]	116.4	122.6	[illegible]	–
JRA/St James's Place Mngd	123.7	130.3	-1.10	–
Deposit	100.7	106.0	+0.10	–
Far East	129.1	135.9	-1.00	–
Gilts	[illegible]	116.4	+0.20	–
Greater European	117.4	123.6	-1.50	–
North American	141.1	148.6	[illegible]	–
UK Equity	121.2	127.6	-1.00	–
Pension Funds				
JRA/M&G Managed cap	119.9	126.3	[illegible]	–
JRA/M&G Managed acc	124.8	131.4	-1.10	–
[illegible]	116.4	122.6	-1.00	–
[illegible]	121.0	127.4	-1.10	–
[illegible]	130.0	136.9	-1.40	–
[illegible]	135.1	142.3	-1.50	–
Deposit cap	100.5	105.8	+0.10	–
Deposit acc	104.5	110.0	+0.10	–
Far East cap	127.3	134.0	-1.30	–
Far East acc	132.3	139.3	[illegible]	–
Gilts cap	108.2	[illegible]	+0.20	–
Gilts acc	112.4	118.4	+0.20	–
Greater European cap	119.7	126.1	-2.10	–
Greater European acc	[illegible]	[illegible]	-2.20	–
North American cap	139.0	146.4	-1.60	–
North American acc	144.5	152.2	[illegible]	–
UK Equity cap	121.9	[illegible]	-1.10	–
UK Equity acc	126.8	133.5	-1.40	–

Royal Heritage Life Assurance Ltd
Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or −	Yield Gross
Multi Gwth		593.8	–	–
Multi Gwth A Cap	388.1	408.5	–	–
Multi Gwth A Accum	593.8	625.1	–	–
Op Prop	409.9	431.5	-0.1	–
Op Equity	896.7	943.9	-1.1	–
Op High Yld	526.5	554.3	+2.1	–
Op Man	737.5	[illegible]	-1.4	–
Op Dep	371.8	[illegible]	–	–
Op Inc Dist	209.3	220.4	–	7.499
Op Itn Man	398.6	419.6	-2.8	–
Op Emerging Co's	456.9	481.0	-0.3	–
Op Money	103.5	109.0	–	–
European	105.5	111.1	-0.8	–
Pension Funds				
Property Ser B	762.6	802.8	–	–
Equity Ser B	2721.3	2864.6	–	–
Fixed Interest Ser B	991.3	1043.5	+3.6	–
Managed Ser B	1364.7	1436.6	-1.3	–
Deposit Ser B	787.4	828.9	[illegible]	–
Money Ser B	103.5	109.0	+0.1	–
Property Ser D		199.4	–	–
Equity Ser D		187.4	–	–
Fixed Interest Ser D		250.5	+1.0	–
Managed Ser D		177.8	-0.2	–
Deposit Ser D		237.9	[illegible]	–
Money Ser D		110.9	[illegible]	–
Pension Unit Trust Funds				
Gartmore Global Ser B	227.9	239.9	-0.7	–
Gartmore NA Ser B	160.6	[illegible]	+1.2	–
Gartmore Pacific Ser B	398.2	419.2	-7.5	–
[illegible]	233.7	246.0	-1.0	–
Perpetual Mng Ser B	257.1	270.7	-2.6	–
Framlington Mn Ser B	223.5	235.3	-0.3	–
Gartmore Mngd Ser B	259.2	272.9	[illegible]	–
Gartmore Euro Ser B	170.9	179.9	-0.6	–
Gartmore Global Ser D		147.3	-0.4	–
Gartmore NA Ser D		187.2	+1.4	–
Gartmore Pacific Ser D		215.0	-4.1	–
Henderson Acc Ser D		177.7	-0.7	–
Perpetual Mng Ser D		190.1	-2.0	–

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar struggles to advance

AGREEMENT on Germany's solidarity pact yesterday strengthened expectations on the *foreign exchange markets* for a cut in the Bundesbank's official lending rates, *writes Emma Tucker.*

Hopes that the German central bank will announce a half-point reduction in the discount rate on Thursday were buoyed by reports that Germany's political parties, federal states, employers and trades unions had agreed on a public financing package to underpin the east German economy.

Initially the dollar was the chief beneficiary of the news, although by the end of European trading it had failed to break through Friday's close of DM1.6655.

Analysts are somewhat bemused as to why the dollar remains trapped in such a narrow trading range after good nonfarm pay roll figures of a week ago, political unrest in the former Soviet Union and strong prospects for a German rate cut, should have combined to give the currency a strong upwards boost.

"I think the markets are getting a bit impatient with the inability of the dollar to move higher, but at the same time no one has the guts to push it too far down because the expectation is still that it will rally," said Mr Christian Dunis *of Chemical Bank in London.*

Mr Dunis pointed out that the difference between US and German lending rates remains significant while the market is waiting to see what the Bundesbank will do later this week. The dollar made no gains on the day, closing marginally lower at DM1.6615.

The pound did not react to the growing prospects of German monetary easing, continuing to trade in a very narrow range ahead of today's Budget. Although a cut in German rates would make it easier for the UK authorities to reduce interest rates, the Bank of England and the Treasury have been discouraging expectations of further monetary easing.

Official resolve will have been strengthened by yesterday's news that manufacturing output rose a better than expected 0.8 per cent in January. The figure added to evidence that a modest economic recovery is taking place in the UK. The pound fell half a pfennig on the day to close at DM2.3825. Against the dollar it closed barely changed at $1.4345.

Tensions within the European exchange mechanism were held at bay. The escudo, which came under pressure at the end of last week following reported differences between the central bank and the government, regained stability. In later trade it eased lower to just over Es93 per D-Mark. The peseta was also slightly weaker closing at Pta71.41. The French franc closed virtually unchanged at Ffr3.401.

Potential for strains within the system remain, however, and dealers yesterday warned that failure by the Bundesbank to act on Thursday could put the mechanism's weaker currencies under pressure.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Floating rate. Iran Official rate £98.50 $66.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 15	% Change From Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.424	-2.62	3.37	45
Irish Punt	0.809996	0.798255	-1.45	2.14	56
Dutch Guilder	2.20045	2.18015	-0.92	1.60	35
Belgian Franc	40.2802	39.9324	-0.86	1.54	[illegible]
D-Mark	1.95294	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Escudo	180.624	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	7.44904	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	6.54988	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	110-21			111-19
Jun	109-11			110-10

Estimated volume 0 (0)
Previous day's open int. 318 (318)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Jun	96.25	96.53	95.98	96.11
Sep	96.42			96.28

Estimated volume 79502 (108787)
Previous day's open int. 141703 (138849)

	Close	High	Low	Prev.
Jun	99.98	100.10	99.84	99.83
Sep				

Estimated volume 5559 (5948)
Previous day's open int. 16720 (16472)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Jun	[illegible]	110.18	[illegible]
Sep			

Estimated volume 759 (730)
Traded exclusively on APT

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Jun	97.01	97.14	96.87	96.70
Sep	96.04			96.53

Estimated volume 10582 (7329)
Previous day's open int. 47082 (47212)

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low
Jun	96.94	96.94	96.92
Sep	96.73	96.73	96.71
Dec	96.36	96.36	96.33

BRITISH POUND (IMM)
$ per £

	Latest	High	Low
Mar	1.4330	[illegible]	1.4310
Jun	1.4240	1.4252	1.4216
Sep	1.4160	1.4180	1.4150

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low
Mar	0.6560	0.6567	0.6548
Jun	0.6532	0.6538	0.6513
Sep	0.6510	0.6520	0.6505

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

PARIS

Estimated volume 25,424 † Total Open interest 373,038
† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Short sterling falls

THE MARCH short sterling futures contract dipped around five basis points yesterday, as dealers all but abandoned hopes for a Budget interest rate cut today.

Weekend newspaper reports that tax increases in the Budget were likely to be modest, and stronger than expected manufacturing output figures yesterday, reduced already waning expectations.

Some dealers thought that a fiscally tight budget would be accompanied by another one point cut in interest rates. However, reports suggest the chancellor is set to increase the overall tax burden by as little as £2bn.

UK clearing bank base lending rate 6 per cent from January 26, 1993

A 0.8 per cent rise in manufacturing output in January, compared with the previous month, added to the feeling that pressure on the government to ease monetary policy was lifting. The month-on-month increase compared with expectations for a 0.1 per cent rise and added to evidence that the economy is at a turning point.

The March contract, which opened at 94.12 moved as low as 94.06 during the day and closed at around 94.08.

Contracts further out also fell. The June contract dropped 7 basis points from the open to finish at 94.57 in late trading.

On the money markets, short dated cash rates were squeezed higher by a large forecast liquidity shortage which the Bank of England had difficulty relieving.

By mid-day the Bank had removed only £353m of a £1.4bn shortage and overnight rates crept as high as 13 per cent. The Bank made better progress in the afternoon, purchasing bills totalling £1.03bn and providing late assistance of £20m.

Overnight rates drifted to just below 8 per cent, while the three-month interbank rate ended unchanged on the day at around 5⅞ per cent.

In continental European futures trading, dealers reported that agreement on the Solidarity Pact in Germany had improved the underlying tone of the market even if some doubts about a Bundesbank easing on Thursday still existed.

"There are still sufficient underlying tensions in the European exchange rate mechanism to prompt a sell off in the continental markets if the Bundesbank decides not to do anything," warned one. The market has priced in a half-point cut in the discount rate. A full one point cut would prompt a significant rally.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

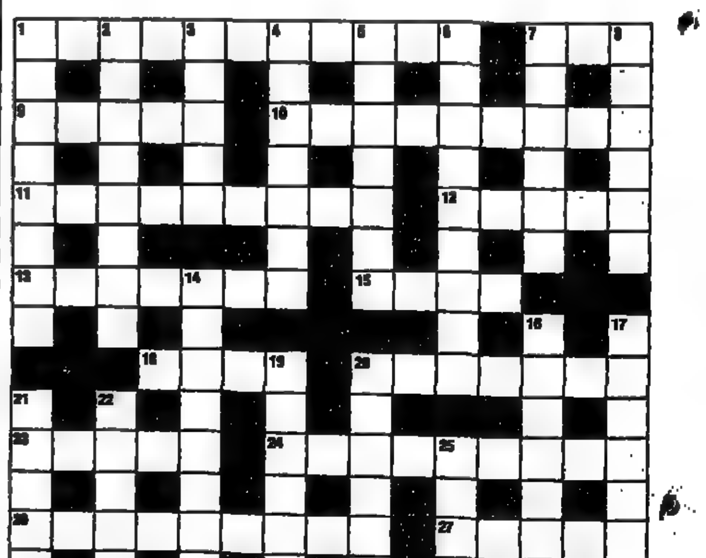
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,102 Set by DANTE



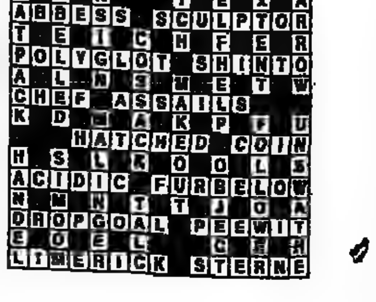
ACROSS

1 Author known for his works in the tropics (5,6)
7 Appropriate piece of luggage (3)
9 See 23 across
10 Though a pound short, victualler may be making a profit (9)
11 Cooked best o' fare? (5,4)
12 One agreement about another for couples (5).
13 Catty female (7)
15 Cheat on the board (4)
18 Warships advance south (4)
20 Company included in new money cutback (7)
23 and 9 One is involved in Asian cult movement in the Caribbean (5,5)
24 It's puzzling how gin and it came to be ordered (9)
26 Revised share out I sanction (9)
27 Wicked impulse that makes men do havoc (5)
28 Heart to heart listener (3)
29 Marriage for security cannot be struck just anywhere (6,5)

DOWN

1 There's a lot of laughter when a girl swallows it (8)
2 It means the arrested man can go free – absolutely free (2,6)
3 It raises the dough (5)
4 Complaint I will put before the head (7)
5 A match for the devil (7)
6 All set to accept redundancy (5,2,2)
7 Reliable persons shouldn't be dropped (5)
8 Oil found near Albania, we hear (6)
14 Unusual quotes in a book of algebra? (9)
16 Study to invite scorn (8)
17 Any hitch may be attributed to this bulb going out (8)
19 Female African who keeps the law (7)
20 It's obvious I'd enter the contest (7)
21 Property of the Oriental Express (6)
22 Very cold beer (6)
25 Female, twice a mother (5)

Solution to Puzzle No.8,101



WORLD STOCK MARKETS

AUSTRIA

March 15	Sch.	+ or –
Austrian Airlines	1,640	+40
Creditanstalt Pf	565	+3
EA General	3,730	+70
EVN	833	+5
Lenzing	578	—
OeMV	847	—
Perlmooser Zement	1,085	—
Radex Heraklith	328	-4
Reininghaus Brau	1,350	+20
Steyr Daimler	165	-1
Veitscher Magnesit	234	+1
Verbund (Br) A	463	+4
Vienna Int Airport	501	-11
Wienerberger	3,490	-44
Z-Laenderbank	1,040	+8

BELGIUM/LUXEMBOURG

March 15	Frs.	+ or –
AG Group	2,480	—
Ackermans	2,930	+30
Almanij	7,250	+20
Arbed	2,675	-75
BBL	3,600	—
Bank Intl a Lux	11,950	+200
Banq Gen Lux Pts	18,000	—
Banque Nat Belg	34,875xd	-100
Bekaert	14,800	—
CBR Ciment	8,600	+50
CMB	1,700	+5
Cobepa	4,895	+15
Cockerill Prv	109	-4
Colruyt	5,740	-140
Delhaize Frs Lion	1,318	+14
Electrabel	6,140	+10
Electrabel AFV1	6,000	+10
Electrafina ACT	2,390	+10
GBL	3,175	+75
GBL AFV 1	3,000	—
GB Group	1,180	-6
Generale Banque	8,030	+20
Gevaert	7,410	+40
Glaverbel	3,480	+50
Immobel	2,850	+5
Kredietbank	6,920	—
Kredietbank AFV	6,750	-60
Maccaiver	5,960	—
Mosane	1,500	+4
Pan Holding Lux	13,200	—
[illegible]	[illegible]	[illegible]

FRANCE (continued)

March 15	Frs.	+ or –
BSN	969	+19
BNP Cert Inv	518	+1
Bancaire Cie	464	+12.10
Bongrain	3,110	—
Bouygues	684	+9
CGIP	1,175	+5
Canal+	1,328	+6
Cap Gemini S	200	+1
CarnaudMetalbox	229.80	-2.10
Carrefour	2,563	+12
Casino	150.50	+1.50
Chargeurs	1,260	+2
Club Mediterranee	436.80	+3.50
Cogifi	396	—
Copperex Int	565	—
C C F	247	+2.20
Cr Fonc France	1,150	+26
Cred Lyon (CI)	525	+5
Credit Local Fr	409	-1.50
Credit National	1,389	+12
Damart	3,600	—
Docks de France	471.50	+8.50
Dollfus Mieg Cie	287	+1.40
EBF	765	+5
Eaux (Cie Gen)	2,287	+32
Ecco	417	-2.80
Elf Aquitaine	377.30	+3.50
Elf Aquitaine Certs	271	+.60
Elf Sanofi	1,010	+8
Eridania B-Say	885	+7
Eridania B-Say CI	545	+20
Essilor Int	435	-10
Ellis	2,005	+5
Eurafrance	1,680	-4
Euro RSCG	640	+5
Euro Disney	88.35	+2.40
Fin Paribas	520	—
Fimalac	139	+.50
Fonc Lyonnaise	665	-14
Fromageries Bel	4,090	+116
GTM-Entrepose	408	+8
Gal. Lafayette	1,850	+1
Gaumont (Soc N)	496	+10
Geophysique	602	+7
Havas	490.80	+5.80
Imetal	385.10	-.20
Imm de France	799	—
Immobanque	750	—
Immob Phenix	142	+1
Interbail	490	-4
Intertechnique	511	-3
LVMH	3,330	+20
[illegible]	[illegible]	[illegible]

GERMANY (continued)

March 15	Dm.	+ or –
Daimler-Benz	621.40	-1.30
Degussa	334xd	-3
Deutsche Babcock	161.50	+4.70
Deutsche Bank	720.80	-.20
Didier-Werke	131.50	+1.70
Douglas Hldg	528.50	-.50
Dragerwerk	278	-4
Dresdner Bk	417.80	-.40
GEHE	410	+12
Gerresheimer	262.50	+.50
Goldschmidt (Th)	762	—
Hamburg Elekt	170.50	-.50
Heidelb Zem	1,049	-10
Henkel Prf	566.50	+1.50
Herlitz	321	-2.50
Hochtief	1,215	—
Hoechst	249	-4.80
Holzmann Ph	1,115	-10
Horten	177.50	+2
IKB Deutsche Ind	289	-2.80
Industrie Werke	298	-.50
Kali & Salz	124.20	+4.20
Karstadt	561	+4.80
Kaufhof	461	+9
KHD	88	-1.20
Kloeckner Werke	44.90	+2.90
Lahmeyer	680	-8.50
Leifheit	500	+20
Linde	769	-8
Linotype-Hell	500	+0.20
Lufthansa	109.80	+1.30
Lufthansa n/v Prf	93	—
MAN	305.50	-3.50
MAN Pref	259	—
Mannesmann	253.50	+1.20
Mannheim Vers	739	—
Mercedes Hld	482.50	-.50
Metallgesellschaft	329	-3
Muench Rueck (Reg)	2,925	-110
PWA	170	—
Philips Kommun	535	-5
Porsche	472xd	+1
Preussag	358.70	+5.70
Rheinelektra	1,018	-7
Rheinmetall Berlin	245.50	-4.50
Rheinmetall Prf	188	+1.70
Rhein West El	400xr	—
Rhein West El Prf	312xr	—
Rosenthal	278	+1
[illegible]	[illegible]	[illegible]

TOKYO - Most Active Stocks

Monday, March 15, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Iwatsu Elec	7.3m	598	+43	Nagase & Co	4.3m	1,050	-20
Kaisei Elec	5.6m	833	-16	M'bishi Kasei	4.1m	419	+21
Nikko Kyodo	5.8m	452	-2	Nippon Conveys	3.9m	689	+46
Daiwo Kenko	5.1m	1,020	-10	Nippon Express	3.8m	825	+6
NEC Corp	4.8m	767	-12	Fujikura Ltd	3.2m	638	+13

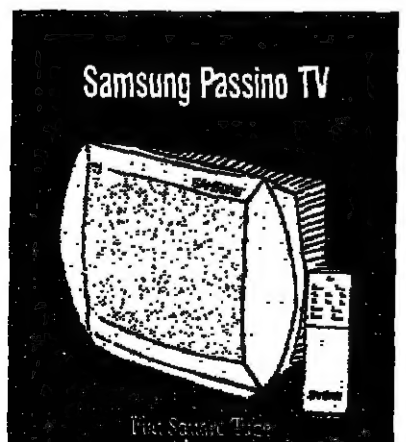
4 pm close March 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
15	12	AAR Corp	0.48	4.0	22	202	12	11	12	
28	18	A L Labs A	0.18	0.8	143	494	23	22	23	
66	52	AMP Inc	1.60	2.7	21	973	59	59	59	
80	54	AMR			9	3105	60	59	60	
2	1	ARX			10	28	1	1	1	
53	29	ASA	2.00	5.4	24	742	37	36	37	
34	22	Abbott Lab	0.60	2.3	18	5503	26	26	26	
13	10	Abitibi Pr	0.50	4.5	3	2	11	11	11	
11	10	ACM Gvt In x	0.96	8.7		151	11	11	11	
10	9	ACM GvOpp x	0.79	8.1		34	9	9	9	
9	8	ACM Gvt Sp x	0.79	8.3		336	9	9	9	
11	9	ACM Gvt Se	0.96	8.6		184	11	11	11	
10	8	ACM Man x	1.08	10.2		197	u10	10	10	
12	8	ACM Managd x	0.78	8.5		115	9	9	9	
11	4	Acme Cleve	0.40	5.2	16	20	7	7	7	
9	3	Acme Elect			662	11	6	6	6	
33	12	Acuson			12	523	13	13	13	
22	18	Adams Expr	0.48	2.2	1	99	21	21	21	
52	29	Ad Micro	3.00	5.8		76	52	51	51	
24	7	Ad Micro P	3.00	12.6	9	3987	24	23	23	
8	4	Advest Grp	0.16	2.2	14	113	7	7	7	
47	38	Aegon ADR	1.35	2.8	8	383	u47	47	47	
53	38	Aetna Lf	2.76	5.8	945	984	47	47	47	
14	8	Ahh A	0.24	2.0	30	544	12	12	12	
36	24	Aflac	0.44	1.3	15	588	35	34	35	
22	13	Ahmanson	0.88	4.2	10	2541	21	20	21	
22	4	Aileen Inc			22	12	6	6	6	
49	36	Air Pr Chm	0.86	1.9	18	558	44	44	44	
29	12	Airbne Frt	0.30	1.3	189	445	22	22	22	
24	11	Airgas Inc			34	123	24	23	24	

[illegible]

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
44	31	Bk Bostn P	2.36	7.0		11	42	42	42	
60	30	Bank New Y	1.52	2.7	12	2296	57	56	57	
48	42	BankAm A	3.25	6.8		60	47	47	47	
85	72	BankAm B	6.00	7.1		23	u85	84	85	
74	50	Bankers Tr	3.12	4.3	6	947	73	72	73	
30	20	Barcls ADR	1.64	6.8	63	109	24	23	24	
35	22	Bard (C R)	0.52	2.0	17	3380	25	25	25	
38	28	Barnes Grp	1.40	4.4	34	2	32	32	32	
50	31	Barnett Bk x	1.32	2.8	23	770	47	47	47	
7	4	Baroid	0.20	2.9	28	2369	7	6	6	
8	4	Battle Mt	0.10	1.5	14	2882	6	6	6	
60	44	Bausch Lmb	0.80	1.4	19	684	57	56	56	
40	27	Baxter	0.86	2.8	15	3461	30	30	30	
28	20	Bay St Gas	1.38	5.1	15	104	27	27	27	
25	21	Bd Tr 1636	2.20	9.0		15	24	24	24	
18	13	Bear Strns	0.60	3.4	8	16046	17	17	17	
48	43	BearSPIA	3.03	6.4		5	47	47	47	
23	16	Bearings	0.64	3.0	105	44	21	20	21	
25	17	Beckman In	0.36	1.6	15	453	23	22	23	
42	32	Becton Dks	0.65	1.8	14	2458	37	36	37	
37	25	Belding Hy x	0.64	2.0	23	21	32	32	32	
56	40	Bell Atlan	2.60	4.9	16	2209	52	52	52	
13	9	Bell Indus	0.40	3.5	287	331	11	10	11	+1



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NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close March 15

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
A&WBrands	0.28	18	601	21½	21	21½	+¼
ACC Corp	0.12	30	188	16¼	15½	16	+½
Acclaim E		30	3983	20	18⅞	20	+1⅛
Acme Mdx		28	21	16½	15½	15¾	-¼
Acxiom Cp		28	29	17	16½	16½	-¼
Adaptech		15	3153	27½	26⅝	26⅝	-1
ADC Tele		21	703	44¾	43½	44⅝	+1⅛
Addington		137	567	14⅞	13¾	13¾	-½
Adia Serv	0.16	20	413	19½	17½	19½	+1¾
Adobe Sys	0.32	24	2741	46¾	45½	46½	+¾
Advance C		12	384	12⅜	12	12¼	+¼
Adv Logic		40	144	3¼	d3	3¼	
Adv Polym		17	123	7⅞	7½	7⅞	+⅜
AdvTchLab		27	160	18¼	17¾	18¾	+½
Advanta x	0.20	17	681	38¾	35¾	38½	
Affymax		19	56	16¼	15½	15½	-¾
Agency Re		11	1190	7⅞	7⅝	7¾	-⅛
AgnicoEa	0.10	21	821	4⅜	4½	4⅝	+⅛
Akzo ADR	1.70	8	70	40¾	39⅞	40½	+½
Aldus Cp		38	5788	18¼	17	18¼	+⅝
Alex Bald	0.88	14	158	24	23½	24	
Allegh &W		16	141	u8¼	7¾	8¼	+¼
Allen Org	0.48	12	2	31½	29½	29½	
Allen Ph		8	502	10¼	9½	10	+½
AlldCapll	1.00	16	136	18¾	18	18⅜	+⅞
Allnt Cap	1.32	13	118	15⅜	15	15⅜	
Aloette C	0.32	13	3	7½	6½	7½	
Alta Gold	0.06	1	1300	⅝	11/32	⅝	+3/32
Altera Co		31	2320	18¼	17⅞	17⅞	-⅛
Am Banker	x0.60	11	218	27⅝	27¼	27⅝	+¼
Am City Bu		29	z100	19	17¾	18	+¼
Am Manag		21	48	22¼	21¾	22⅛	
Am Med El		13	212	6⅞	6½	6½	-⅛
Am Softwa	0.32	19	2012	6⅞	6⅛	6⅞	+½

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
DauphinDp	0.80	13	102	27	26½	26½	-½
Deb Shops	0.20	17	220	8¼	8	8	-¼
Dekalb En	0.32	1	11	12¾	12½	12½	-¼
Dekalb Ge	0.80	18	18	30½	28¾	29	-¼
Delchamps	0.44	18	102	27	26¼	26½	-¼
Dell Comp		14	20139	38	37½	38¼	+1¾
Dep Gty	0.88	12	32	30	29½	30	+½
Devcon	0.20	18	11	9½	8½	8½	-1
DH Tech		11	18	13¾	12¾	12¾	-¾
Dibrell B	0.60	13	1212	37	35¾	36½	
Digi Intl		27	605	u25¼	24¼	24½	+¼
Dig Micro		4	346	9⅛	8¾	9⅛	+⅛
Dig Sound		23	161	2⅞	2⅝	2⅞	+¼
Dig Syst		11	18	7½	d7	7¼	
Dionex Cp		20	46	38½	37¾	38½	+½
Dixie Yrn	0.20	22	248	14¾	14½	14¾	+⅛
DNA Plant		5	601	5½	5¼	5½	
Dollar Gn	0.16	24	921	27	26	26	-¾
Dom Bkshs	0.44	55	861	u27¼	26⅞	27	
Dorch Htn	0.32	69	190	12½	12	12½	
DrecoEngy		15	z100	17	16½	16¾	
DressBarn		21	2326	19	18½	19	+½
Drey GD	0.24	25	57	23¾	23¼	23¾	+½
Drug Empo	0.08	7	312	4¼	3⅞	4¼	+⅛
DS Bancor	1.09	9	2	18½	18	18¼	
Duriron	0.60	21	267	22½	21¾	22¼	+½
Durr Fill	0.30	24	8	33⅛	32¾	32¾	
DynastyCl		8	117	2⅛	d1⅞	1 15/16	-1/16
Dynatech		19	115	30	29½	30	+½

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
- K -							
K Swiss		19	128	[illegible]	[illegible]	[illegible]	[illegible]
Kaman Cp	0.44	12	32	[illegible]	[illegible]	[illegible]	[illegible]
Karcher C	0.08	12	341	[illegible]	[illegible]	[illegible]	[illegible]
Kaydon Cp	0.36	18	49	[illegible]	[illegible]	[illegible]	[illegible]
KelleyOil		82	547	[illegible]	[illegible]	[illegible]	[illegible]
Kelly Sv	0.76	32	446	[illegible]	[illegible]	[illegible]	[illegible]
KenCentrl	0.44	2	1717	[illegible]	[illegible]	[illegible]	[illegible]
Kentucky	0.11	8	41	[illegible]	[illegible]	[illegible]	[illegible]
Kimball	0.76	19	143	[illegible]	[illegible]	[illegible]	[illegible]
Kirschner		11	8	[illegible]	[illegible]	[illegible]	[illegible]
KLA Instr		17	1271	[illegible]	[illegible]	[illegible]	[illegible]
Knowledge		23	213	[illegible]	[illegible]	[illegible]	[illegible]
Komag Inc		27	764	[illegible]	[illegible]	[illegible]	[illegible]
Kulicke S		9	958	[illegible]	[illegible]	[illegible]	[illegible]
- L -							
LDDS A		33	3312	[illegible]	[illegible]	[illegible]	[illegible]
La Petite		17	357	[illegible]	[illegible]	[illegible]	[illegible]
Ladd Furn x	0.12	54	964	[illegible]	[illegible]	[illegible]	[illegible]
Lam Rsch		35	1725	[illegible]	[illegible]	[illegible]	[illegible]
Lancaster	0.68	21	1452	[illegible]	[illegible]	[illegible]	[illegible]
Lance Inc	0.96	18	192	[illegible]	[illegible]	[illegible]	[illegible]
LandmkGph		14	702	[illegible]	[illegible]	[illegible]	[illegible]
Laserscpe		7	464	[illegible]	[illegible]	[illegible]	[illegible]
Lattice S		28	1606	[illegible]	[illegible]	[illegible]	[illegible]
Lawson Pr	0.40	25	151	[illegible]	[illegible]	[illegible]	[illegible]
LDI Cp		6	718	[illegible]	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE PRICES

4 pm close March 15

AMERICA

Dow slips from its highs after firm opening

Wall Street

US stocks traded in a narrow range yesterday, holding on to modest gains in spite of another fall in bond prices, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 3.51 higher at 3,431.33. The more broadly based Standard & Poor's 500 was up 0.23 at 450.06, while the Amex composite was 0.54 higher at 421.63, and the Nasdaq composite up 1.48 at 694.26. Trading volume on the NYSE was 115m shares by 1 pm.

In the wake of Friday's precipitous decline, the markets proved their resilience yesterday by opening firmer, with prices showing solid gains across the board in the first 30 minutes of trading.

Yet, the gains proved primarily a knee-jerk reaction to the previous session's losses. In the absence of fresh economic news, the markets struggled to find a direction, allowing prices to slip back from their highs. Sentiment was undermined, also, by a sudden downturn mid-morning in the bond market, where inflation-sensitive investors took fright at a sudden rise in commodities.

Equities, however, were supported by continued strong inflows of cash as investors showed few signs of turning away from stocks, which they view as offering the best potential returns in the low-interest rate environment.

Nike jumped \$3⅜ to \$75⅝ after the sports shoe and apparel maker reported fiscal third quarter net income of \$89.5m, up from \$82.5m and a record for the company. Although the profits were slightly below market expectations, investors were impressed by reports that Nike's orders for the next few months were up 21 per cent on the comparable period a year ago.

Bank stocks were weaker following the latest rise in bond market interest rates. BankAmerica fell \$1 to \$52¾, Citicorp eased \$¼ to \$28½, Chemical slipped \$⅛ to \$42⅜ and Chase Manhattan dropped \$⅝ to \$34½, in spite of a ratings upgrade from Merrill Lynch.

Vehicle stocks were lifted by news of strong car and truck sales for the first 10 days of March: General Motors rose \$⅝ to \$39, Ford added \$⅝ at \$48⅝ and Chrysler firmed \$⅜ to \$39.

Brokerage stocks were higher because of the heavy demand for their services from individual investors, which is boosting commission revenues and asset management profits. Merrill Lynch climbed \$1¼ to \$73½, Charles Schwab added \$½ at \$36, and PaineWebber put on \$¼ at \$26.

Storage Technology, which jumped sharply on Friday, rose another \$¾ to \$27¼ on hopes that testing of the company's Iceberg data storage system is progressing well.

Canada

TORONTO eased on light bouts of profit-taking following gains last week. The metals group was among the exchange's bigger losers, led by Inco which eased C\$⅝ to C\$28¾ in light activity.

The TSE-300 Index fell 4.06 to 3,544.00 in volume of 21.5m shares valued at C\$156m, declines leading advances by 230 to 219 with 269 unchanged. Eight of the TSE's 14 indices were lower at midday. Golds, buoyed by strength in bullion futures, were broadly higher, along with the pipelines and transportation groups.

SOUTH AFRICA

JOHANNESBURG saw industrials recover from early lows to end with a 13 point gain at 4,482 as the overall index added 9 at 3,459. The golds index finished at a high for the year, up 15 at 1,053. Anglos put on R1 at R98.75.

ASIA PACIFIC

Pacific Basin in ferment as Nikkei rises again

Tokyo

SHARE prices fluctuated on technical activity, but the Nikkei average finally registered its seventh consecutive gain, *writes Emiko Terazono in Tokyo.*

The Nikkei ended 48.66 higher at 18,086.18. It fell to the day's low of 17,957.16 in the morning and rose to the session's high of 18,169.16 in the afternoon, before fluctuating on arbitrage trading.

Volume fell to 350m shares from Friday's 771m. Advances led declines by 680 to 347, with 136 issues unchanged. The Topix index of all first section stocks put on 2.66 at 1,353.60 and, in London, the ISE/Nikkei 50 index firmed 1.15 to 1,081.14.

Activity was led by individual speculators and dealers, while most institutional investors remained on the sidelines. Traders said some US pension funds were looking to increase their weightings in Japanese shares, but that European investors, who have foreign exchange profits on their holdings, were reducing their allocations.

Mr Jason James, a strategist at James Capel, said share prices could ease during the second quarter of this year, and that there was little need for hasty buy decisions. "The market will correct after the fiscal year-end, with 16,000 at the lowest end of the range," he added.

Short term trading centred around companies related to Nippon Telegraph and Telephone, and the Japan Rail Group. NTT took a breather, retreating Y7,000 to Y603,000 on profit-taking. Iwatsu Electric, which has close business ties with NTT, was the day's most active issue, forging ahead Y43 to Y538.

Nippon Express appreciated Y6 to Y825. The company is considered a JR-related stock, due to its land holdings around JR railway stations. Nabco, a Kobe Steel affiliate which makes automobile and railway brakes, climbed Y80 to Y570 on a report that it had developed a new air-brake system with JR researchers.

High-technology shares were lower on profit-taking by individual investors. Hitachi dipped Y4 to Y753, Toshiba Y12 to Y606 and NEC Y12 to Y767.

Kyowa Hakko Kogyo surged by its daily limit of Y101 to Y1,100 on reports of its development of an anti-cancer agent.

In Osaka, the OSE average was up 156.35 to 19,076.15 in volume of 45m shares. The index rose above the 19,000 mark for the first time since December 25 last year.

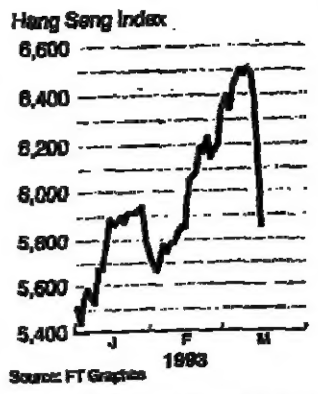
Roundup

EVENTS OF the weekend, and last week, had a powerful impact in the region.

HONG KONG dropped a further 5.1 per cent on China's angry reaction to Governor Chris Patten's decision to proceed with democratic reform. The Hang Seng index finished at 5,854.61, down 315.79 but up from a day's low of 5,792.18. However, London over-the-counter trading was more positive, indicating an improvement in the index of about 100 points.

Turnover stayed high, totalling HK\$5.28bn, although down from Friday's HK\$5.32bn. HSBC finished HK\$1.50 down at HK\$64.50. After the market closed, the group reported a 68 per cent jump in 1992 net profits, but shares in its Hang Seng Bank unit lost HK\$3.50 to HK\$62.50. HSBC closed later in London HK\$1.80 better at HK\$66.30.

Hong Kong



Source: FT Graphics

AUSTRALIA subsided on Labor's election win and falls on overseas markets, the All Ordinaries index ending 35.1 off at 1,626.4 after a day's low of 1,614.0. Labor's promise of a reduction in company tax and indications that it will cut interest rates helped to mollify investors.

Bank shares were sold as hopes of mergers were dashed by the coalition's election loss. ANZ fell 32 cents to A\$3.26, Westpac 11 cents to A\$3.09 and NAB 8 cents to A\$8.47.

Among retailers, Coles dropped 15 cents to A\$4.55 and Foodland receded 15 cents to A\$6.75. Investors had hoped that a coalition government would benefit retailers by scrapping payroll tax and exempting food from its goods and services tax.

NEW ZEALAND shed 1.4 per cent on Labor's surprise win in Australia, the NZSE-40 index closing at 1,567.04, down 21.58.

SINGAPORE's Straits Times Industrial index, hurt by Hong Kong and poorer than expected results posted by Singapore's key DBS Bank, slipped 22.07 to 1,630.81. MANILA lost 1.5 per cent in reaction to a PLDT slide on Wall Street, the composite index ending 23.03 lower at 1,471.65. PLDT fell \$1¼ to \$35⅝ in New York on Friday.

SEOUL rose for the third straight session, the composite index closing 10.89 higher at 645.73 on renewed hopes that the government may set aside an announcement which would phase out widespread clandestine trading. TAIWAN put on 2.1 per cent in thin trading, the weighted index ending 93.16 better at 4,507.00.

BOMBAY resumed trading for one hour after last Friday's bomb blast caused extensive damage to the stock exchange building. The BSE index finished at 2,416.28, a rise of 86.19 from Thursday's close.

EUROPE

Agreement on 'solidarity pact' lifts senior bourses

AFTER the slump last Friday afternoon on storm signals in Russia and the New York equity market, bourses mostly recovered yesterday, *writes Our Markets Staff.*

Sentiment, especially in Germany, France and Switzerland, was lifted by the weekend conclusion of the German "solidarity pact", involving agreed political, corporate and trade union initiatives in the financing of German unification.

FRANKFURT looked undecided, the DAX index ending 4.57 lower at 1,702.57. But this obscured the recovery from the tumble share prices had taken on Friday afternoon.

Mr Hans Peter Wodniok, of James Capel in Frankfurt, said that on the Ibis screen system, share prices yesterday afternoon were running 1¼ per cent of Friday evening's with Deutsche Bank DM11 higher at DM723 against an official close of DM720.80, down 20 pfg.

Turnover fell from DM6.8bn to DM6.2bn. Exceptions to the solidarity celebration included Volkswagen and Hoechst, which closed DM7.30 lower at DM285.50, and DM4.80 down at DM249 respectively.

Over the weekend, VW lost a senior management prospect as General Motors's J. Ignacio Lopez de Arriortua announced he would stay with GM. VW subsided further to DM263.60 in the aftermarket on industry indications that the carmaker's dividend would be cut from DM11 to DM2 for 1992, rather than the expected DM4 or DM5.

Hoechst hit more trouble when its Frankfurt plant suffered an explosion early yesterday, the chemical group's fourth accident in Germany in the last month.

MILAN reacted fairly calmly to news that Iri, the state holding group, was to take a L340bn loan from its telecommunications subsidiary Stet in exchange for granting it the dividend rights for three years in another of its subsidiaries, Banco Commerciale. The Comit index, on the last day of the March account, lost 5.82 to 508.42.

FT-SE Actuaries Share Indices

March 15								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1155.56	1156.60	1155.44	1154.42	1152.85	1152.38	1153.70	1153.62
FT-SE Eurotrack 200	1221.97	1222.49	1222.08	1220.84	1219.72	1219.61	1219.70	1219.52

	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8
FT-SE Eurotrack 100	1145.86	1163.60	1167.52	1164.26	1165.04
FT-SE Eurotrack 200	1212.44	1232.53	1231.99	1230.72	1229.32

Base value 1000 (26/10/90) Highday: 100 - 1156.92; 200 - 1223.34 Lowday: 100 - 1151.96 200 - 1217.67

In spite of the slight losses, Stet down L13 at L2,174 and Commerciale off L170 at L4,630, some analysts commented that the news placed doubts on the success of the government's privatisation programme: with Stet holding some 52 per cent of Commerciale's equity it was now problematic how the latter's planned privatisation could proceed.

Olivetti was the day's other story, although the shares were suspended at L2,202 pending its surprise announcement of a L900bn rights issue. Mr John Stewart of Pastorino commented that the group, in effect, was seeking the new funds to rebuild its net assets after sustaining losses of over L1,100bn during the last two years.

PARIS strengthened on hopes of easier European interest rates and the CAC-40 index closed 20.60 firmer at 1,986.03. However, turnover was relatively thin at FFr2.3bn.

Interest rate-sensitive stocks were the day's main gainers in the absence of fresh corporate news. Euro Disney advanced FFr2.40 to FFr89.35, also helped by the warm weather which has recently boosted attendance levels. Paribas rose FFr6.20 to FFr422.20 and Suez was up FFr6.20 at FFr320.90.

AMSTERDAM recovered from Friday's losses with a gain in the CBS Tendency index of 1.3 to 105.5. Wolters Kluwer, the publishing group, which reports 1992 earnings today, stood 80 cents higher at Fl 89.80. Analysts expect the group to see an improvement in last year's results of between 15 and 20 per cent.

Fokker put on 20 cents to Fl 11.20 and announced that it was delaying publication of its 1992 earnings, which had been due on Thursday, until April 2 pending confirmation that the takeover by Deutsche Aerospace was to proceed.

ZURICH took its recovery mainly in chemicals and Nestlé as the SMI index rose 28.1 to 2,157.0. Roche gained SFr80 to SFr4,090 on anticipation that the company will simplify its share structure and will post good 1992 results, and Nestlé rose SFr30 to SFr1,160.

Banks were firmer on interest rate hopes, although CS Holding stood out with a rise of SFr40 to SFr2,270. Insurers were weak on fears that storms in the US would lead to high claims, Swiss Re losing SFr60 to SFr3,120 and Winterthur SFr40 to SFr3,320.

STOCKHOLM remained subdued as investors awaited tomorrow's vote of confidence in the government. The Affärsvärlden general index fell 11.4 to 1,001.1 in turnover of SKr533m, down from Friday's SKr635m. Procordia, the food and pharmaceuticals group, went against the trend, rising SKr2 to SKr190, still helped by last week's publication of good 1992 earnings.

HELSINKI was pulled lower by financial difficulties facing construction company Polar and the Hex index fell 28.2 to 963.1. Repola, which has a 12.9 per cent stake in Polar, lost FM4.30 to FM56.70. OSLO, however, strengthened with a gain in the All Share index of 8.02 to 442.61, for a rise of some 10 per cent since March 4.

Political backcloth to global equity shifts

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US \$ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-1.43	+4.88	-14.23	+7.89	+10.36	+4.52
Belgium	+2.26	+4.02	+4.66	+11.85	+14.64	+8.67
Denmark	-1.08	-1.43	-17.27	+9.26	+12.92	+6.95
Finland	-1.69	+8.63	+21.35	+22.13	+10.93	+5.07
France	-1.11	+3.49	+1.94	+7.63	+10.77	+4.91
Germany	+1.61	+3.42	-3.74	+11.96	+14.95	+8.67
Ireland	+2.15	+9.56	-2.12	+15.46	+9.62	+3.83
Italy	-4.31	+5.23	+8.23	+18.73	+14.87	+8.80
Netherlands	-0.01	+4.09	+8.67	+9.65	+12.78	+6.82
Norway	+5.87	+3.90	-2.64	+10.13	+13.62	+7.61
Spain	-0.88	-0.61	-7.07	+11.64	+13.51	+7.51
Sweden	-2.08	+2.30	+15.76	+6.54	+2.32	-3.09
Switzerland	-0.21	+0.13	+17.61	+3.42	+5.10	-0.48
UK	-0.26	+2.56	+17.91	+3.19	+3.19	-2.26
EUROPE	-0.31	+2.76	+8.70	+6.94	+7.91	+2.21
Australia	+3.16	+4.12	+2.47	+7.43	+16.47	+10.31
Hong Kong	-6.50	+5.61	+17.97	+11.66	+17.97	+11.73
Japan	+6.76	+4.96	-6.23	+3.43	+15.78	+9.66
Malaysia	-0.46	+1.72	+16.71	+5.89	+12.29	+6.38
New Zealand	+1.75	+1.13	+5.95	+4.92	+13.69	+7.69
Singapore	-2.44	-0.08	+2.72	+2.16	+7.37	+1.70
Canada	+0.72	+2.62	-1.36	+4.55	+12.87	+6.90
USA	+0.90	+1.17	+11.36	+3.19	+8.94	+3.19
Mexico	+3.27	-0.70	-8.14	-6.13	-0.86	-6.10
South Africa	+2.43	-0.42	-6.39	+6.62	+18.66	+12.40
WORLD INDEX	+2.01	+2.64	+5.01	+4.38	+10.75	+4.91

† Based on March 12th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

By John Pitt

Politics provided the set for last week's drama on some of the world's equity markets.

While Hong Kong fell sharply after Mr Chris Patten, the colony's governor, enraged the Chinese on Friday by saying that he was to press ahead with democratic reform proposals, Australia rose, anticipating a change of government. Japan provided support for the 2 per cent gain in the FT-Actuaries world index, as the Nikkei average closed the week at a six-month high.

The slide in Hong Kong continued yesterday, with the Hang Seng index having lost some 8 per cent over the two days. However, many analysts believe that the worst is now over and anticipate short term support at the 5,800 level. Most of the selling has come from domestic investors, with foreign institutions remaining on the sidelines, they comment; and the excellent results from HSBC have refocused attention on the underlying strength of corporate earnings.

Regarding Mr Patten's efforts to seize the political initiative with his proposals to extend democracy, Mr David Bates of Asia Equity comments that there are doubts whether they will even win the support of the Legislative Council. As yet a date has not been set for debate but, says Mr Bates, there are indications that the LegCo is evenly divided.

Australia rallied as investors anticipated defeat for Mr Paul Keating and his Labor government; but Labor, having clinched victory, the equity market yesterday lost 2 per cent.

Mr Peter Wade of brokers J.B Were in London commented that expectations that the Liberal/National party would seek further rationalisation of the banking sector and privatise other public sector companies had driven the market higher in the pre-election weeks. Nevertheless, with the likelihood of cuts in interest rates and corporate tax the downside in the market would probably be limited.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 12 1993								THURSDAY MARCH 11 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	138.02	-0.1	142.70	102.73	119.51	129.96	+0.0	3.78	138.22	142.66	102.71	119.33	129.95	153.68	108.18	142.66
Austria (18)	146.50	-0.2	151.47	109.05	126.86	126.65	-0.3	1.77	146.80	151.51	109.09	126.74	127.08	186.70	131.16	171.74
Belgium (42)	144.65	-0.4	149.56	107.66	125.25	122.18	-0.4	4.85	145.17	149.83	107.86	125.33	122.62	152.27	131.19	138.83
Canada (113)	123.62	-0.1	127.81	92.01	107.03	111.31	-0.2	3.01	123.71	127.68	91.92	106.79	111.49	142.12	111.36	129.87
Denmark (33)	199.06	-1.4	205.81	148.17	172.37	173.55	-0.9	1.32	201.92	208.38	150.04	174.31	175.07	273.94	181.70	237.56
Finland (23)	73.14	-0.8	75.62	54.44	63.33	93.32	-0.4	1.36	73.76	76.12	54.61	63.68	93.73	89.80	52.84	79.80
France (98)	154.41	-1.5	159.64	114.92	133.69	137.15	-1.1	3.19	156.75	161.78	116.48	135.31	138.68	168.75	136.93	151.96
Germany (62)	113.27	-0.9	117.11	84.32	98.08	98.08	-0.6	2.23	114.29	117.96	84.94	98.66	98.66	129.69	101.59	117.66
Hong Kong (55)	247.56	-3.1	255.95	184.28	214.37	245.86	-3.1	3.74	255.53	263.73	189.87	220.81	253.73	262.28	176.36	210.88
Ireland (16)	140.98	-2.4	145.76	104.93	122.07	136.10	-2.1	3.85	144.46	149.10	107.34	124.71	139.09	173.71	122.98	158.33
Italy (73)	59.70	-1.3	61.72	44.43	51.69	71.69	-1.0	2.61	60.47	62.41	44.93	52.20	72.44	80.96	47.47	70.97
Japan (472)	115.18	+0.2	119.08	85.73	99.74	85.73	+0.4	0.96	114.93	118.62	85.40	99.23	85.40	140.95	87.27	107.77
Malaysia (69)	278.09	-0.1	287.51	206.98	240.79	278.89	-0.2	2.37	278.36	287.31	206.84	240.32	279.48	282.42	212.49	242.71
Mexico (18)	1547.39	+0.0	1599.82	1151.75	1339.87	5276.84	+0.1	1.14	1547.88	1597.54	1150.15	1338.27	5273.42	1789.77	1165.64	1644.33
Netherland (24)	161.73	-1.6	167.21	120.38	140.04	138.07	-1.4	4.10	164.44	169.71	122.19	141.96	140.05	169.70	147.88	148.40
New Zealand (13)	46.19	+0.4	47.75	34.38	39.99	46.49	+0.4	4.70	46.00	47.48	34.18	39.72	46.31	48.52	37.39	45.02
Norway (22)	148.19	-0.3	153.21	110.30	128.32	142.40	-0.1	1.85	148.57	153.34	110.40	128.27	142.57	192.95	128.05	164.78
Singapore (38)	216.98	-1.3	224.33	161.50	187.87	164.79	-1.3	2.01	219.79	226.84	163.32	189.74	166.92	229.63	179.65	207.82
South Africa (60)	166.47	-0.2	172.11	123.90	144.14	167.55	+0.4	3.00	166.85	172.20	123.97	144.03	166.84	263.60	134.21	208.13
Spain (46)	125.37	-1.6	129.62	93.32	108.56	112.98	-1.2	5.34	127.41	131.50	94.67	109.99	114.38	161.72	107.10	152.62
Sweden (36)	160.44	-1.5	165.88	119.42	138.93	185.20	-1.3	1.87	162.91	168.14	121.06	140.65	187.63	200.28	149.69	181.80
Switzerland (56)	112.49	-1.6	116.30	83.73	97.42	106.18	-1.6	2.04	114.30	117.97	84.94	98.69	107.96	122.37	96.99	96.20
United Kingdom (226)	168.46	-1.4	174.17	125.38	145.86	174.17	-1.2	4.22	170.81	176.30	126.91	147.45	176.30	200.07	161.88	169.53
USA (522)	183.76	-0.8	190.00	136.79	159.14	183.76	-0.8	2.76	185.26	191.20	137.66	159.94	185.26	186.27	160.92	166.82
Europe (775)	139.01	-1.3	143.72	103.47	120.37	133.51	-1.1	3.47	140.88	145.40	104.68	121.63	135.01	156.68	131.31	140.80
Nordic (114)	149.16	-1.3	154.21	111.02	129.16	151.02	-1.0	1.69	151.20	156.05	112.36	130.53	152.80	188.52	141.24	172.90
Pacific Basin (715)	120.28	+0.0	124.35	89.53	104.15	91.98	+0.2	1.31	120.28	124.14	89.38	103.84	91.84	141.97	98.70	112.37
Euro-Pacific (1490)	127.82	-0.6	132.15	95.13	110.68	108.53	-0.4	2.26	128.59	132.72	95.54	111.00	108.98	145.21	113.80	123.99
North America (635)	180.04	-0.8	186.14	134.02	155.92	178.86	-0.8	2.77	181.44	187.26	134.83	156.66	180.26	182.38	158.70	163.54
Europe Ex. UK (549)	120.64	-1.3	124.72	89.81	104.48	110.86	-1.0	2.98	122.22	126.14	90.84	105.54	112.03	132.98	111.33	122.90
Pacific Ex. Japan (243)	170.39	-1.4	176.16	126.84	147.55	156.22	-1.3	3.46	172.79	178.34	128.41	149.19	158.34	175.31	146.06	157.81
World Ex. US (1681)	128.96	-0.6	133.33	95.99	111.67	110.55	-0.4	2.29	129.70	133.86	96.38	111.97	110.98	146.91	115.89	126.09
World Ex. UK (1977)	144.34	-0.6	149.23	107.44	124.99	129.01	-0.5	2.30	145.19	149.85	107.89	125.35	129.65	150.58	127.21	135.58
World Ex. So. Af. (2143)	146.42	-0.7	151.38	109.00	126.80	132.68	-0.6	2.48	147.41	152.14	109.54	127.27	133.42	153.05	130.04	138.12
World Ex. Japan (1731)	164.41	-1.0	169.98	122.38	142.38	160.52	-0.9	3.03	166.03	171.36	123.38	143.36	161.98	166.44	151.93	156.06
The World Index (2203)	146.45	-0.7	151.41	109.01	126.82	133.00	-0.6	2.48	147.43	152.18	109.55	127.29	133.75	153.70	130.66	138.54

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